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Hearings. v. 85-86. 1960.

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Hon. C. V. McTaggart

ROYAL COMMISSION
ON
TRANSPORTATION

HEARINGS

HELD AT
OTTAWA

VOLUME No.:

85

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VOLUMES 85, 86 and 87

WITNESS's REVISIONS

Page Line

- 14729 25 Change "structure in" to "structure to"
- 14734 9 Change "three" to "two"
- 14804 19 Insert "are" after "of course"
- 14812 25 Change "at" to "from"
- 14814 28 delete "of"
- 14821 26 Insert "is" after "that"
- 14836 7 Change "this had such" to "this could have"
- 14837 16 Change "is" to "are"
- 14851 29 Change line to read "say, well, increase the rates on its raw materials or basic commodities-where the"
- 14860 8 Change "strongly proposed at" to read "strongly opposed water regulations at"
- 14861 17 Change "in this" to "on the"
- 14868 3 Change line to read "and I am also speaking about the plant at Sydney Mines which has been"
- 4 Change "output is" to "capacity output was"
- 14888 26 Insert "could" between "they" and "get"
Change "and it is" to "in that"
- 14892 27 Change line to read "the truck rate from Hamilton was \$2.688 per long ton. Well, that to me would"
- 14893 20 Change "that took" to "we took"
- 14898 26 Change "but a local" to "but with a local"
- 27 Change line to read "market, perhaps industry would beget industry, and"

ERRATUM

- 14804 13 Change "lift" to "left".



I N D E X

Page No.

STEEVES, E.T.
DICKSON, C.F.
PARKS, A.C.

Cross-examination

By Mr. Macdougall

14618

By Mr. Sinclair

14651

By Mr. Frawley (further)

14701

By The Commission

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MATHESON, R.

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Direct examination

By Mr. Smith

14706

NO EXHIBITS IN THIS VOLUME



E R R A T A

Volume 85

<u>Page</u>	<u>Line</u>	
14721	25	Change "other" to read "our"
14728	12	Change "21000" to read "2100"

Volume 86

14804	9	Change "Leesburg" to "Louisburg"
14809	16	Change "indence" to "incidence"
14813	29	Change "Q" to read "L.A.Hicks"
14814	14	Change "trans-steamer" to "tramp steamer"
14817	10	Change "would" to "could"
14819	25	Change "In" to "I"
14827	7	Delete "of the" between "area" and "proportion"
14829	6	Change "and this" to "so that this" Change "erosive" for "erosion"
	30	Change "here " to "there"
14844	2	Change "rail" to "rails" Delete "and"
	23	Change "for years from" to "for years to"
	24	Change "Vancouver by Sydney" to "Vancouver from Sydney"
14847	24	Change "going to ship that market" to "going to ship to that market"
14851	4	Change "Company" to "Companies"
14852	2	Delete "was" preceeding "because"
	3	Change "higher rate, then" to "higher rate. If"
	4	Change "shifting. Does" to read "shifting, does"
	5	Change "materials are going" to "material rates are going"



Volume 86 (cont'd)

Page Line

14853 10 Change "A posted rate" to
 "A postal rate"

14855 18 Change "stared" to read "started"

14858 21 Change "Hamilton" to "Toronto"

 28 Insert "the" following "possibly meet"

14860 5 Change "regulation" to "regulations"

14865 14 Change "arrest" to "assess"

14867 19 Change "rails. We are" to "rails,
 we are"

14870 10 Substitute "Painsec Junction" for
 "Penzac Junction"

14872 15 Insert "not" between "is" and "along"

Mr. M. Anscomb Member

Mr. A. M. Balch Member

Mr. R. Gobeil Member

Mr. H. A. Mann Member

Mr. A. Platt Member

COMMISSION COUNSEL

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Mr. F. W. Anderson Secretary

Major N. Lafrance Assistant Secretary



Ottawa, Ontario,
Wednesday,
September 14, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please. Mr.
Macdougall?

CROSS-EXAMINATION BY MR. MACDOUGALL:

Q. Now, Mr. Dickson, if I may just take
a few moments to ask you to elucidate a little bit a
few points I noticed in your brief which to me require
a little further information.

First, on page 22 you give there a table
No. 2 showing cumulative postwar freight rate in-
creases in Canada, and I take it, from my knowledge
of the matter that the cumulative increases over 1948
to 1951 do not take into account so-called roll-back
of freight rates that occurred in 1959?

MR. DICKSON: No, they do not, Mr. Macdougall.
That table ends at the 17% rate increase of December 1,
1958.

Q. Just for the record, perhaps you would
agree with me, sir -- my information is that the
figure for the cumulative increase over 1948, if the
roll-back were reflected there, would be 137.5 per
cent.

Would you know whether that is correct or not?

MR. DICKSON: It may be: I would have to
check your arithmetic on that, sir. The figure, I



1
2 think, is a little different, now.

3 Q. And the cumulative increase over 1958
4 reflecting the roll-back -- I make it 63.9 per cent.
5 Would you think that to be fair?

6 MR. DICKSON: That sounds reasonable. I
7 would have to check your arithmetic. If your
8 arithmetic is right, I assume they are.

9 Q. On page 28, there you are referring to
10 Appendices 6, 7 and 8?

11 MR. DICKSON: Yes.

12 Q. Paragraphs 110 to 114. And from these
13 appendices which you described to us in your direct
14 examination, you make the conclusion given in para-
15 graph 114 that they provide a most striking illus-
16 tration of the great differences in the strength of
17 competition in the several regions of Canada.

18 I notice that none of these exhibits pro-
19 vide any totals of tonnage or revenue or percentages,
20 or anything of that nature, for comparison purposes.

21 Do I understand you draw this conclusion
22 solely from the number of rates which you have
23 been able to show in the different regions on those
24 statements?

25 MR. DICKSON: Yes, that is right, Mr.
26 Macdougall. As we point out in paragraph 107, we
27 realize that with the data available to us it could
28 not yield precisely measurable results because we do
29 not have the volume figures moving at these rates, but
30 by looking at the vast number of rates it would give



1
2 some indication of the pervasiveness of competition.

3 Q. So then, you have not had any information
4 upon which you could make a calculation of the percen-
5 tage of the total number of rates published, say, in the
6 maritime area and the total number of rates published
7 in the eastern area that escaped the full impact of
8 the 17% increase percentage?

9 MR. DICKSON: I am sorry, I didn't quite
10 follow you there.

11 Q. I take it you did not have information
12 from which you could calculate what percentage of the
13 total number of rates in the eastern area receives
14 the full impact of the 17% increase?

15 MR. DICKSON: I suppose you could count
16 every rate in the tariffs analysed and find out what percen-
17 tage they are to the total number of rates in the tariffs.

18 Q. And also, sir, I take it that you did
19 not make any revenue analysis of the revenues resulting
20 from the 17 per cent increase to see whether or not a
21 larger proportion of the 17 per cent was obtained
22 in the eastern region or in the maritime region?

23 MR. DICKSON: There was no data available to
24 us that we could make that calculation on.

25 Q. And I presume the same thing applies
26 with respect to tonnages. There was no data available?

27 MR. DICKSON: That is right. There was no
28 data available to us.

29 Q. Would it be correct to say that there
30 would be many more competitive rates in the eastern to



1
2 eastern territory than there would be in the maritime to
3 eastern territory published in the tariffs?

4 MR. DICKSON: Yes, I would agree with that.

5 Q. On page 29, paragraph 121 -- you discussed
6 this yesterday with Mr. Hume and also with Mr. Cooper.
7 I think Mr. Hume suggested that, and you agreed with
8 him, that you would be better off in the maritimes if
9 you had more carrier competition, and I think that is
10 a general statement which you would agree with?

11 MR. DICKSON: That is right.

12 Q. You speak of the value of service
13 principle and, as I understood your evidence, you did
14 not think it was completely obsolete, but you think
15 that rate making should be more cost orientated?

16 MR. DICKSON: I do not think that is what I
17 said. I think it was something to this effect: that
18 with the increase in competition, the rate structure
19 was tending to be more cost oriented. The cost of
20 service principle perhaps began to show up more in the
21 rate structure than it had in the past.

22 Q. Assuming a larger significance, perhaps
23 you should say?

24 MR. DICKSON: Yes, I suppose.

25 Q. Would you agree, then, Mr. Dickson, that
26 in those circumstances what your region is seeking is
27 more what I call competitive pricing of the freight
28 rates or freight services both by railways and other
29 carriers so that you will obtain the greatest possible
30 benefit from competition and from competitive rate



1
2 making; competitive pricing?

3 MR. DICKSON: We do not want the maritime
4 region to be deprived of any benefits that competition
5 will bring to it.

6 Q. You would agree, then, I take it, that
7 the railways of which I speak, representing one of the
8 railways of Canada, that you would like to see them
9 become more competitive in their actions, in their
10 services, in their standards, and in their pricing
11 so that they will give you a better competitive pic-
12 ture in the maritime provinces. Is that correct?

13 MR. DICKSON: Yes. The railways are
14 making strides and I feel sure they will continue to
15 make strides to adapt themselves to the competitive
16 environment they find themselves in today.

17 Q. And that is so in your territory, I
18 presume, sir, too; is it?

19 MR. DICKSON: Yes, they are meeting com-
20 petition there as it arises, in some cases.

21 Q. Now, sir, on page 31, at the beginning
22 of chapter 3, you speak of revising the Maritime
23 Freight Rates Act, and you speak of a desire to bridge
24 the rate gap between the maritimes and central
25 Canadian producers in the important market of central
26 Canada.

27 Now, as I understand your evidence, you are
28 not suggesting that that rate gap should be eliminated
29 completely but that you should make a calculation of
30 average rates and have an additional subvention to the



1
2 Maritime economy so that the rate gap would be narrowed;
3 is that it?

4 MR. DICKSON: That I do not think is quite
5 the correct interpretation. The way I like to think
6 of it is that we are not asking for the matching of
7 each and every rate on each and every individual movement,
8 but that we are determining an average rate from the
9 maritime region to the eastern region, and an average
10 rate within the eastern region; and we are calculating
11 from those average rates the percentage reduction
12 necessary to bring the maritime to eastern average
13 rate to the level of eastern to eastern average rate;
14 and then recommending that this reduction, so cal-
15 culated, be applied to rates outbound from the Atlantic
16 provinces.

17 Q. And that calculation would be made on the
18 basis of using all the rates in the area, not just, say,
19 the rates on steel in the east and the rates on steel
20 in the maritime area?

21 MR. DICKSON: No, that is right. We have
22 taken all the movements from the maritime region to the
23 eastern region where there was the same movement within
24 the eastern region; totalled them all up and arrived
25 at an average rate.

26 Q. Let me put this general proposition to
27 you and see if you can tell us what your proposal would
28 be in the circumstances. Take the marketing of
29 steel products in the Montreal market ---

30 MR. DICKSON: Yes?



1
2 Q. And the maritime producer generally is
3 at Sydney ---

4 MR. DICKSON: Yes?

5 Q. And you move to Montreal. The Ontario-
6 Quebec producers are basically located at Sault Ste.
7 Marie and Hamilton and at

8 Now, Sault Ste. Marie is the farthest distance
9 point of the three, and Hamilton is somewhat inter-
10 mediate, and distant is close to Montreal. Would
11 your proposal envisage the Sydney producer getting
12 into the Montreal market in something comparable with
13 the Hamilton intermediate man's competitive position,
14 having the Sault Ste. Marie man at a greater rate
15 and perhaps the Contrecoeur man at a lesser rate?

16 MR. DICKSON: Yes. Perhaps we could turn,
17 Mr. Macdougall, to Appendix V, page 7, and I could give
18 you an example of what our proposal would do in
19 respect of the rates from Sydney to Montreal versus
20 Hamilton to Montreal. The rate from Hamilton during
21 the summer months is \$4.55, and during the few months
22 that navigation is closed it is \$7.37. The rate
23 from Sydney presently is \$8.96. These are all
24 per gross ton on billets and blooms.

25 If you use the percentage reduction that we
26 have suggested based on the 1958 Waybill data, 31.3
27 per cent, the Sydney rate would become \$6.16 per
28 gross ton.

29 You see, it does not equal either the summer
30 rate from Hamilton or the winter rate from Hamilton,



1
2 but calls somewhere in between.

3 COMMISSIONER MANN: Mr. Macdougall, is there
4 anybody at Contrecoeur yet, or do you just take that
5 point in view of future developments there?

6 MR. MACDOUGALL: Yes, I have taken this
7 generally because of the announcement as to future
8 developments.

9 MR. RAND H. MATHESON: The Steel Company
10 of Canada has a plant there.

11 MR. MACDOUGALL: Q. So, generally speaking,
12 that situation reflects the Hamilton picture, and
13 would you agree, sir, that the Sault Ste. Marie pro-
14 ducer would be moving into the Montreal market at a
15 greater rate than the Hamilton producer, probably,
16 and the Contrecoeur producer at something less?

17 MR. DICKSON: I have not the Sault Ste.
18 Marie rates with me, but if they are higher than the
19 Hamilton rates, that is a fair statement, and I do not
20 know whether there are any rates published from Contrecoeur
21 yet for the STELCO mill, but I assume they would be
22 lower than Hamilton rates because of the distance
23 involved.

24 Q. Here is the point that comes from that.
25 If your proposal were given effect to, do you think
26 that the Sault Ste. Marie producer would consider
27 that he should have the same favourable treatment on
28 his rates also to get into the Montreal market. Would
29 it affect him in any way?

30 MR. DICKSON: There is a bit of difference



1
2 here. The Sault Ste. Marie manufacturer has a
3 substantial market closer than Montreal which he can
4 reach. The Sydney manufacturer -- his first
5 substantial market is the Montreal one.

6 Q.. I see.

7 MR. DICKSON: As the Sydney manufacturer
8 goes further west in Quebec and Ontario then he becomes
9 at a greater disadvantage with the Hamilton and Sault
10 Ste. Marie manufacturer.

11 Q. I see.

12 MR. DICKSON: So, while the Sydney manu-
13 facturer may be at, as you suggest, a possible advantage
14 in Montreal with the Sault Ste. Marie manufacturer,
15 when he gets further west in Ontario and Quebec he is
16 at a disadvantage, and it is just the converse.

17 Q. I see, thank you.

18 Now, looking for a moment at the same
19 Exhibit 5 which you have been referring to, pages 1 and
20 2 deal with steel bars from Amherst and Montreal to
21 Quebec. I notice on page 1, and at the top of
22 page 2, the rates on the 40,000-pound movement,
23 minimum movement, from the two points to the common
24 market of Quebec were comparable. For instance, the
25 March 16, 1953, rate was \$11.20, Amherst to Quebec,
26 and from Montreal to Quebec it was \$10.

27 Then, there was established motor truck com-
28 petitive rates from Montreal, which reduced the
29 Montreal rate to almost half?

30 MR. DICKSON: Yes.



1
2 Q. And I suppose that is the thing that
3 has caused you the great disparity in this particular
4 movement -- it is this competition in central Canada
5 or in the eastern carrier which you find has a great
6 difficulty in marketing from Sydney, and this is the
7 effect of competition which you have been speaking
8 about in your submission asking that you be given some
9 relief because of these circumstances. This is
10 an example of it?

11 MR. DICKSON: Yes, this is an example of it,
12 Mr. Macdougall: I perhaps should mention that the
13 steel bars here are what are commonly called reinforcing
14 rods used in the construction of concrete -- used
15 to reinforce concrete, I am sorry.

16 Q. Thank you, sir.

17 Just for the record, my information is that
18 Amherst is 494 miles from Quebec, whereas Montreal is
19 171. Would you agree generally with those figures?

20 MR. DICKSON: Those figures are correct
21 according to my check.

22 Q. And the arithmetical calculation with
23 regard to ton-mile earnings taken from the Waybill
24 Analysis on the movement I believe to be, on the
25 Amherst movement, 2.7 cents per ton mile, and on the
26 Montreal-Quebec movement, 4.2 cents per ton mile at the
27 present rate. Would you know whether that is correct?

28 MR. DICKSON: I would have to check the
29 Waybill Analysis, Mr. Macdougall. If you wanted to
30 wait a moment we could do that, I think.



1
2 Q. You could check it some other time and
3 if I am wrong please tell me. Will we leave it that
4 way?

5 MR. DICKSON: All right. You were quoting
6 figures from the Waybill Analysis, not figures cal-
7 culated from the rates shown there?

8 Q. Those figures I have given you are
9 actually taken from our own records. I do not know
10 whether you could get that from the Waybill Analysis
11 or not.
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2 MR. DICKSON: No, I would think not. I have
3 made a calculation of the ton mile revenue from the
4 rates shown there. But whether these particular rates
5 would be reflected in the waybill study --

6 COMMISSION MANN: The 2.7 per ton mile, is
7 that on the billed rate?

8 MR. MACDOUGALL: Yes.

9 COMMISSIONER MANN: You haven't got the return
10 to Canadian National on that, have you?

11 MR. MACDOUGALL: No, I do not have it here, sir.

12 Q. Mr. Dickson, would you be kind enough to
13 turn to page 39. There at paragraph 161, sir, you make
14 a statement that transportation should be used as an
15 instrument of public policy, and here I wonder if you have
16 given any consideration to what possible effects that
17 would have on the equalization of freight rates in the
18 rest of Canada, whether that is a factor that has come
19 into your calculations at all.

20 MR. DICKSON: I am sorry, I wonder if you would
21 mind repeating that, Mr. Macdougall?

22 Q. In making the recommendation that
23 transportation circumstances in the Maritimes be used
24 as an instrument of public policy to achieve the
25 purposes you have set forth in your brief, have you
26 given consideration as to what effect that would have
27 on the equalization of freight rates as in effect in
28 the rest of Canada? Will it distort that situation
29 or affect it in any way?

30 MR. DICKSON: I can't see that it will, offhand,



no.

Q. At the present time equalization doesn't apply in the Maritimes, generally speaking?

MR. DICKSON: Section 336 of the Railway Act exempts Maritime movements from equalization.

Q. So you don't think it will cause any distortions or any particular difficulties?

MR. DICKSON: We are not asking for any change in the rates received by the railways. The rates you have in your tariffs will remain and the shipper will pay less and you will be reimbursed for the difference between what the shipper pays and what is in the tariff.

Q. The reason I am asking that is that the equalization statute is basically designed to eliminate anomalies in the rate structure and to eliminate particular anomalies which have been put in the rate structure to overcome geographical disadvantages and things of that kind, and since your proposal is to de-emphasize the length of haul, I wondered if you saw any difficulty in the rest of Canada from the equalization standpoint as regards your proposal.

MR. DICKSON: No, I don't think so, Mr. Macdougall.

Q. On page 44, paragraph 189, you made this statement:

"An indication of necessary subvention rates has been given in Tables 3 and 4 above.



1
2 This would, in effect, mean a de-emphasis
3 of the greater length of haul to which
4 Atlantic provinces shipments moving to
5 central Canada are subjected. It would
6 be a return to the original design of the
7 Maritime rate structure which, in respect
8 of Standard Mileage Class Rates, for instance,
9 kept a Maritime originating movement of
10 1,000 miles at a rate equivalent to
11 the Ontario-Quebec 500 mile scale."

12 And I put it to you, Mr. Dickson, that
13 looking at the class 100 rates as they exist today,
14 where we have the Board's Appendix B scale outside the
15 select territory and we have a lower base of class
16 rates in the Maritime area, the applicable class
17 rates in the Maritimes are generally at a lower level
18 than the class B scale. Is that correct?

19 MR. DICKSON: Yes, that is correct.

20 Q. Trenton, Nova Scotia, to Toronto, which
21 which is a difference of 998 miles, the 100 basic class
22 rate is 297, whereas the Appendix B class rate scale
23 for 500 miles applicable in eastern Canada is 335,
24 which shows that for approximately half the distance,
25 the 500 miles, the rate is 335, whereas for the 900
26 miles it is 297.

27 MR. DICKSON: I am not familiar with those,,
28 but I accept your statement. Are those both at the
29 same level?

30 Q. Both - well, the 500 mile rate in



1
2 eastern Canada is the class 100 Appendix B Board
3 scale rate.

4 MR. DICKSON: Is that --

5 Q. Seventeen per cent level?

6 MR. DICKSON: One is not at the 17 per cent
7 level and the other one is. Is that right?

8 Q. I think they are both at the same level.
9 It would appear from those figures that that
10 situation that you speak of in so far as those class
11 rates are concerned is an illustration of the
12 situation at the moment.

13 MR. DICKSON: I think we must remember this:
14 the standard mileage class rates in the years around
15 1912 played a very much more important part in moving
16 traffic than they do today. I think you will find
17 that only 1.2 per cent of the traffic within eastern
18 Canada moves at class rates.

19 Q. Yes, it is a very small proportion of
20 the traffic volume moving throughout the whole of
21 Canada, I think.

22 MR. DICKSON: Yes, I think that is true.

23 Q. Now, at page 48, Mr. Dickson, you are
24 talking there of the payment of transportation
25 subventions and the problem of paying it to the users
26 of transportation, and you are suggesting it should
27 be paid to the carriers. Have you given any
28 consideration as to who should assume the administration
29 costs that are occasioned by the carriers to handle
30 the administrative work of applying for and obtaining



1
2 the rebate, or the reimbursement, I should say, for
3 reduced rates under a subsidy?

4 MR. DICKSON: Yes. We realize that there
5 is some additional work caused by the payment of
6 subventions to the carriers; but I don't think that
7 it is a substantial amount of work, and we have tried
8 to make this additional subvention as simple as
9 possible to eliminate as much as possible the
10 administrative problems.

11 Q. At the present time, Mr. Dickson,
12 Canadian National receives reimbursement under at least
13 seven different subsidies, four in the Maritimes
14 dealing with marine service and then we have the
15 subsidies under the Maritime Freight Rates Act, and
16 so on, and as the numbers grow, while the administrative
17 cost in one is not very much, in total they might
18 become a substantial factor; and would you not agree
19 that if these administrative costs are significant
20 there is no reason why the carriers should be asked to
21 bear these costs.

22 MR. DICKSON: You have administration now
23 with the present Act, and an additional subvention
24 would not entail, in my mind, any additional amount .
25 You have to do the work, anyway, for the present Act,
26 and could this work not be done at one and the same
27 time?

28 Q. That may be, sir; I don't know. Later
29 on in your submission you propose a subvention in
30 respect of the 108 mile water gap between Cape Breton



1
2 and Newfoundland, and we can foresee, if some of these
3 proposals were acted on, growing administrative costs
4 and other expenses to the carriers. Would your
5 Commission agree that these carriers should not be
6 asked to bear that burden but should be reimbursed
7 for these costs if the burden be substantial?

8 MR. DICKSON: I think we have to be
9 reasonable: if they are substantial they would have
10 to be reimbursed.

11 Q. I think it is something like your
12 illustration yesterday where you said if the distance
13 from the Maritimes to the central markets were de-
14 emphasized 100 per cent, then the burden on the Maritime
15 shipper would be completely removed and you didn't ask
16 for that. Here, if the subsidies were to become
17 greater and great in number, the subsidies would be
18 like building blocks, getting more and more in number,
19 and when it comes to a point to be a real burden the
20 railways shouldn't be asked to bear the cost of their
21 administration.

22 MR. DICKSON: If it is a substantial burden,
23 perhaps they shouldn't. As to the illustration of
24 the water gap, I don't think that would be too severe,
25 because you presently proportion the rate across that
26 gap to the carrying operations, so if you were doing
27 that work now, then this is very little additional
28 work.

29 Q. Of course, it all depends on how
30 those arrangements are set out; they can be very



1 simple or they can be complicated.

2
3 MR. DICKSON: I have no idea how simple or
4 complicated the present arrangements are there.

5 Q. And you suggested that in respect of
6 Newfoundland the competitive rates may be applied
7 for the full year period, so there would be some
8 administration there.

9 MR. DICKSON: Yes, there would be some
10 administration there.

11 Q. There would be some administration there.
12 In paragraph 208 on that page you say in the last
13 part of the paragraph that:

14 "the payment of the proposed subventions
15 to these operations would undoubtedly be
16 of benefit to the railways."

17 Would you care to comment on that, how you see that
18 benefit applying to the railway, or have you any
19 comment to make on it?

20 MR. DICKSON: Benefit to the railways I
21 think is a wrong choice of word there, because the
22 Act is not of benefit to the railways, the financial
23 reimbursement is not of benefit to the railways.
24 You receive a payment which you pass on to the
25 shipper. But I think what we had in mind there --
26 we have chosen the wrong word -- is that by the
27 receipt of subventions it enables you to publish a
28 lower rate by the amount of the subvention and therefore
29 to attract traffic to the rails which might not
30 otherwise move or might not otherwise move by rail.



1
2 It might be that it would move by private carriage, for
3 example.

4 Q. In your proposal, of course, you
5 are suggesting that all carriers be given this subsidy
6 so that each and everyone of them would be in a
7 comparable position in the lowering of their rates
8 by the same amount.

9 MR. DICKSON: Yes.

10 Q. I was just wondering how you saw that
11 giving any benefit to the rails as opposed to other
12 carriers?

13 MR. DICKSON: Did my answer not clarify that
14 point?

15 Q. I think perhaps it did.

16 Again, Mr. Dickson, the same point is shown
17 at page 51 at paragraph 232, where you say:

18 "It would not be unrealistic, however,
19 to expect that competition under a subvention
20 policy applicable to all types of for-hire
21 carriers, will exert a downward pressure
22 on the Maritime to eastern rate level..."

23 Is that because you envisage much more
24 traffic which is now moving in eastern Canada would
25 be flowing to central Canadian markets from the
26 Maritime provinces, or would it be new traffic you
27 see developing in the Maritimes?

28 MR. DICKSON: May I read the paragraph, sir,
29 first?

30 Q. Yes, do that.



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2 MR. DICKSON: I think what we are trying to
3 say there, Mr. Macdougall, is that if your competition
4 grows it will exert a pressure on the railways to
5 lower their rate level. If industrial activity in
6 the Maritimes increases, it will create more traffic
7 for the railways, more traffic for the competing
8 means, and therefore will encourage competition, and
9 these factors will undoubtedly have a steadying
10 pressure on the Maritime to eastern rate level.

11 Q. Do you include in that explanation the
12 possibility that there might be a shift of traffic
13 moving from the eastern area; that is, some of the
14 volume we are now moving into the Montreal market
15 from an eastern destination, say around Toronto,
16 might, under you plan, enable the Maritime producer
17 to get in there at the expense of the upper Canadian?

18 MR. DICKSON: It would be very nice to
19 enable our industry to increase its activities by
20 expanding its markets. I should perhaps, in connection
21 with the question you put to me before that, say
22 in connection with that paragraph that if the
23 Maritime to eastern rate level is held down then the
24 amount of the subsidy would be less. As that rate
25 level increases the amount of subsidy paid by the
26 government, of course, increases.

27 Q. You can see the position of the railways
28 in this suggestion of yours to be this, that if that
29 downward pressure that you speak of does result
30 because of new business growing up in the Maritimes,



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2 that is more business for which the railways would be
3 competing.

4 MR. DICKSON: That is true.

5 Q. What happens is that the volume doesn't
6 particularly increase but there is a shift; they might
7 lose in the east but they pick up more in the Maritimes.

8 MR. DICKSON: We are speculating a little
9 here, but I wonder if we can speculate further. If
10 economic conditions in the Maritimes improve then
11 the Maritimes will be carrying more refrigerators and
12 other things that are produced, so you will be getting
13 more business in the Maritimes. This is all speculation
14 again, but I think in the net we will come out even.

15 Q. It is a fertilization effect that you
16 are hoping for?

17 MR. DICKSON: Yes.

18 Q. And if it occurs, fertilization does
19 bear fruit, I presume some of the other areas of
20 Canada will be anxious to copy your example?

21 MR. DICKSON: Well, if it is good I think
22 they would be interested.

23 COMMISSIONER BALCH: If that rosy condition
24 were to come along, it wouldn't be necessary for
25 this Commission.

26 MR. DICKSON: We were hoping that our
27 proposal might be --

28 THE CHAIRMAN: A pattern?

29 MR. DICKSON: No, I wasn't going to say that,
30 sir - might do the trick for the Atlantic region so that



1
2 we wouldn't have so many complaints.

3 THE CHAIRMAN: You are looking at it from
4 the standpoint of the region?

5 MR. DICKSON: Yes.

6 MR. MACDOUALL Q: Now, sir, if you would
7 be kind enough to turn to the section dealing with
8 Newfoundland, page 59. You are speaking there, Mr.
9 Dickson, on page 59 and later in your chapter on
10 Newfoundland about these problems of packaging
11 basically and service matters for handling traffic
12 between the mainland and Newfoundland. Can you tell
13 the Commission or do you have any knowledge of what
14 the packaging situation was like prior to Confederation
15 in Newfoundland in 1949 in respect of the traffic
16 moving from Canada, Nova Scotia, to Newfoundland
17 colony as it was then?

18 MR. DICKSON: I am not sure of this, but I
19 believe that at that time they had export packaging
20 requirements.

21 Q. And those export packaging requirements,
22 as you probably know, in the export ports in Canada
23 are, in most cases, more stringent for the protection
24 of the lading than the domestic packaging requirments?

25 MR. DICKSON: Yes, that is true.

26 Q. And you are also aware that in 1949
27 when Newfoundland became part of Canada traffic to
28 and from Newfoundland became domestic traffic.

29 MR. DICKSON: Yes, and you had quite a
30 problem on your hands.



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2 Q. And is it fair to say that because
3 of that problem in respect of the change from the
4 export to the domestic packaging requirements a great
5 many of those restrictions were put on Newfoundland
6 traffic to protect them?

7 MR. DICKSON: Yes. I don't want to criticize
8 those restrictions of the railways; they have a very
9 difficult job in handling the traffic and I think
10 they have done the best they could under the
11 circumstances.

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2 The purpose of showing them here in detail was to tell
3 this Royal Commission the best way we could that this
4 was one of the problems which the Newfoundland receiver
5 labours under.

6 Q. We don't take any offence at all in
7 your bringing the matter up, Mr. Dickson, and I under-
8 stand your purpose is to show that in future a trailer-
9 train type of operation would solve a lot of these
10 problems; is that your thought?

11 MR. DICKSON: A trailer-train? Are you
12 referring to a car ferry?

13 Q. A trailer-ship operation -- a fishy-
14 back?

15 MR. DICKSON: A fishyback operation that
16 is able to take highway carriers as well as trains,
17 yes.

18 Q. Before that could be implemented to a
19 degree where it would be carrying any great volume,
20 I suppose it would be important that the road situa-
21 tion in the Island of Newfoundland would have to
22 be considerably improved?

23 MR. DICKSON: The suggestion we made in
24 connection with the trailer-ship was that it might
25 operate to an east coast Newfoundland port where
26 the road system is perhaps better, although I
27 still agree there is need for improvement, but if
28 the ship operated, we will say, to St. John's
29 then probably a good deal of the traffic she would
30 carry would terminate right in St. John's.



1
2 Q. I see.

3 MR. DICKSON: So, I don't think we should
4 wait until they have a magnificent highway to consider
5 this trailer-ship business.

6 Q. Again, in the chapter on Newfoundland,
7 at paragraph 271 on page 62, that is the place where
8 you support the submission of the Government of New-
9 foundland that the competitive rates be made applicable
10 on a year-round basis and extended to Bay Roberts and
11 Botwood.

12 MR. DICKSON: We say if you establish
13 them to those places in the future they should be
14 included in the extension.

15 Q. If they are established?

16 MR. DICKSON: Yes.

17 Q. That looks like what we might call an
18 artificial extension of competition to an area where
19 it does not exist. I think you will agree with that.
20 Is there anything in particular you have to support
21 Newfoundland's argument that that artificial extension
22 of the competition into the winter area should take
23 place?

24 MR. DICKSON: The difficulties that the
25 Newfoundland receiver has with the delay, the damage,
26 pilferage, loss, are one of the factors which I think
27 would justify some relief on his rates inbound. He
28 must bring practically all his consumer goods from
29 somewhere on the mainland of Canada; a good deal of
30 it must come from Ontario and Quebec.



1
2 Q. And he moves those goods on a standard
3 bill of lading where he gets the protection that all
4 shippers get -- the same as all other Canadians?

5 MR. DICKSON: Yes.

6 Q. If that extension is made, the thought
7 that occurs to me is that there must be a great many
8 other areas of Canada that would like to have a similar
9 type of treatment, and I am wondering whether there are
10 some particular circumstances in the Newfoundland area
11 which you feel support that contention but which would
12 not apply elsewhere?

13 MR. DICKSON: I think we should consider the
14 economic situation of Newfoundland. The income figures
15 over there are substantially lower than they are
16 elsewhere in Canada, and the Newfoundland consumer is
17 not therefore in a financial position to pay as much
18 in freight rates as some of his other Canadian fellow
19 citizens.

20 THE CHAIRMAN: You are getting back to
21 present need?

22 MR. DICKSON: Yes, in this particular case,
23 Mr. Chairman.

24 MR. MACDOUGALL: Q. He is at the far end
25 of the line; that is one of his major difficulties?

26 MR. DICKSON: That is a very common phrase
27 in Newfoundland, yes, sir.

28 Q. Just one more point on the Newfoundland
29 matters: page 63, paragraph 279: talking about compen-
30 sating the Newfoundland shipper, and you speak of



1
2 eliminating the 108-mile water carriage?

3 MR. DICKSON: Yes.

4 Q. And substituting therefor to the
5 carrier a subsidy to make up for loss in revenue. It
6 appeals to me this would be what has become known as
7 constructive mileage, and I wonder, before you made
8 the suggestion, if you thought what effect that would
9 have on the other parts of Canada which have had con-
10 structive mileages removed from their tariffs under
11 equalization, and whether you thought they might wish
12 to have them restored if the proposal were put into
13 effect?

14 MR. DICKSON: That is true, Mr. Macdougall,
15 there were some constructive mileages removed at the
16 time of equalization, and I suppose Manitoba is the
17 province most affected by the removal of the construc-
18 tive mileage.

19 Q. Just one last point, on page 70, the
20 chapter dealing with the Atlantic ports?

21 MR. DICKSON: Yes, sir.

22 Q. Paragraph 313, you make your recommen-
23 dation that a national policy of port utilization
24 should be developed which will assure that the
25 Atlantic ports of Halifax and Saint John will par-
26 ticipate to the fullest extent in the export and import
27 trade of Canada. Do I understand from that that it
28 would be your hope that some stimulation would be found
29 which could direct more traffic through these ports
30 entirely unrelated to the economics of the situation or



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2 the length of haul involved.

3 MR. DICKSON: Perhaps you could repeat that,
4 Mr. Macdougall.

5 Q. Would your national policy of port
6 utilization contemplate some form of stimulation to the
7 export traffic that would force it to move through the
8 ports of Halifax and Saint John entirely apart from the
9 economics of transportation, which is mainly bound up
10 in the length of haul?

11 MR. DICKSON: I think perhaps I will have to
12 answer that this way: what we are suggesting there is
13 that there be some policy developed that will assure
14 each of the ports of Canada that it will get a share
15 of the traffic, that events will not take place where
16 one port might get the lion's share, so to speak, of
17 the traffic. We are not suggesting that one of our
18 Atlantic ports should get all of the new traffic that
19 occurs in Canada, but that it should be shared among
20 the various ports.

21 Q. The point I have in mind is that the
22 shipper basically would like to move his goods by the
23 cheapest routes.

24 MR. DICKSON: Yes.

25 Q. In most cases that is the shortest route
26 -- not always?

27 MR. DICKSON: In respect of the Port Parity
28 Rate Structure, of course, the shortest route may be
29 the same as the longer route rates.

30 Q. It may be the governing rate-making route?



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2 MR. DICKSON: Yes.

3 Q. And if you were to direct under your
4 national policy that a large volume of the traffic
5 which now goes through Montreal or Sorel or Quebec,
6 or through the American ports, would be channelled
7 through the Atlantic ports, this, I suggest, might
8 create considerable increased expense for the carriers
9 involved, and I wonder if you have given any considera-
10 tion to whether or not the carriers should be taken
11 into your calculations in a national policy of port
12 utilization or not?

13 MR. DICKSON: I can't quite see where an
14 increase in traffic handled would increase your expenses
15 unproportionately to your revenue.

16 Q. Well, there may be, and there are, in
17 fact, some rates on traffic carried through our
18 Atlantic ports today which return very low revenues
19 to the carriers because of the length of haul involved
20 as opposed to what could be obtained by taking that
21 traffic to a closer port. I am suggesting if you
22 increased that -- I am asking you if you increase the
23 volume going to the more distant port may you not be
24 reducing your carrier's net revenue position and, if
25 so, have you given any thought to how he might be pro-
26 tected?

27 MR. DICKSON: I don't feel we would be
28 reducing his revenue. If you haul the traffic to
29 the closer port you may have a very low rate -- prac-
30 tically as low as you can go in order to meet



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2 competition, and therefore by hauling a longer haul
3 to the port you may be doing just the reverse of what
4 you are suggesting -- increasing your revenue.

5 Q. Yes, and if a carrier has a certain
6 volume to haul to an ocean port and he has two alter-
7 natives, and one is two or three hundred miles further
8 away than the other port, he is going to take a certain
9 volume of traffic -- one hundred thousand tons -- his
10 natural inclination, leaving aside port charges and
11 things of that kind, would be to haul to the closer
12 point, and if under a port utilization scheme he was
13 forced to haul to the longer point, wouldn't there be
14 some merit in giving protection to that carrier on
15 the grounds of national policy for the utilization of
16 ports?

17 MR. DICKSON: Perhaps we should get clear
18 what we have in mind in "national policy". We are
19 not too sure ourselves, but from what you have just
20 said it seems to me you have got the inference that
21 we made a suggestion that there may be some statutory
22 requirement, put it that way, on the railways to haul
23 traffic to the more distant ports. What I have in
24 my mind would be, rather than a statutory requirement
25 on the railways, something to encourage the shipper to
26 route his traffic that way.

27 Q. I see.

28 MR. DICKSON: Does that help clear up the
29 point?

30 Q. Yes, it does, and on that basis I think



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2 you will agree with me that if a national policy were
3 formulated to increase port utilization, if there
4 are any burdens flowing from that policy you would
5 agree they should not fall upon the railway or the
6 railway should not be asked to bear them, but the
7 country at large should be asked to bear any burdens
8 that flow from an element of national policy?

9 MR. DICKSON: Yes. I can't quite see there
10 would be a burden.

11 Q. We are hoping there would not be, but
12 if it turned out that way, it should be borne by the
13 country and not by the railway?

14 MR. DICKSON: Yes, I think that is a fair
15 statement.

16 COMMISSIONER MANN: Mr. Macdougall, before you
17 leave that point I was interested in a remark you made
18 a few moments ago. You said that in the case of traffic
19 to two ports, the natural tendency for a railway would
20 be to haul to the port which, in your example, was
21 300 miles closer so as to maximize his revenue.
22 Leaving aside ports, altogether and export traffic,
23 wouldn't that be a general principle in the revenues
24 and rate structure, that the shorter haul always
25 returns more than the longer haul?

26 MR. MACDOUGALL: That is a matter of
27 economics and a matter of assessing the factors that
28 go into it, and I would think there would be cases
29 both ways, but the point I was making was the simple
30 fact that if a man has two alternatives to perform a



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2 job of work and one is much cheaper than the other, he
3 naturally would do it the cheaper way and maximize
4 his net position.

5 COMMISSIONER MANN: Doesn't it follow that
6 the shorter haul achieves that objective?

7 MR. MACDOUGALL: Probably not. I think in
8 most cases the shorter haul would have a direct bearing
9 on the cost.

10 MR. DICKSON: There is another factor there
11 too, and I should have suggested this earlier. If you
12 are moving 100,000 tons, which you suggested, on the
13 longer haul or the shorter haul, if your short-haul
14 line was perhaps fully utilized, or almost fully
15 utilized, and your long-haul line was not, that would
16 have some bearing too on your cost of movement.

17 Q. Yes, I can probably put it for you
18 very clearly that Canadian National on most of its
19 lines, if not all, are not at capacity and we could take
20 a lot more traffic. We have got a great plant, but
21 we haven't got all the traffic operating over it we
22 would like.

23 Mr. Dickson, before sitting down I would like
24 to congratulate you and Mr. Steeves and Mr. Parks for
25 the excellence of your presentation. I think it is a
26 great arbiter for the maritimes to see you gentlemen
27 here, who are going to replace Mr. Mann, to see how
28 ably you have presented the maritimes picture, and on
29 behalf of Canadian National I would like to congratulate
30 each of you for your presentation, and also Mr. Smith.



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2 MR. DICKSON: Thank you very much, Mr.
3 Maddougall, and I must give some of the credit also
4 to Mr. Armitage.

5 MR. MACDOUGALL: Excuse me; I did not mean
6 to leave out Mr. Armitage.

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8 ---Short recess.
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2 THE CHAIRMAN: Order, please.

3 CROSS-EXAMINATION BY MR. SINCLAIR:

4 Q. Mr. Dickson, basically your submission
5 is a presentation of the problem that the Maritimes
6 have not advanced economically as rapidly as other
7 regions of Canada, and these should be rectified by
8 a further transportation subsidy. Would that be
9 correct?

10 MR. DICKSON: The lagging behind economically
11 is one part of our case, and we feel that
12 transportation has a significant role to play in
13 bolstering the economy of the Atlantic region.

14 Q. What you mean by that is transportation
15 could be used to stimulate economic economic activity?

16 MR. DICKSON: Yes, that is right, Mr.
17 Sinclair.

18 Q. Or, another way of expressing it
19 would be that transportation could be used as an
20 instrument for national policy?

21 MR. DICKSON: Can I refer to our brief and
22 see what we said there, sir?

23 Q. You said: "used as an instrument of...".
24 I am saying that is the same as saying "used as an
25 instrument for the carrying out of national policy'?

26 MR. DICKSON: I wondered -- I thought we
27 said "of", and I wondered why you said "for".

28 Q. You used "of", the same as ---

29 MR. DICKSON: Perhaps you could explain to
30 me the difference between "of" and "for", so I will



1 have it clear in my mind.

2
3 Q. Yes. Well, maybe the reason for this
4 is that if you used an industry for purposes other
5 than basic provision of service on the same basis
6 throughout the country, you involve that industry
7 in distortions that do cause problems -- would you
8 not agree with that -- unless it is clearly recognized
9 that it is being used for purposes that do not
10 possibly appear on the surface?

11 MR. DICKSON: I am afraid I have not quite
12 followed you yet, sir. Perhaps I am a bit dense,
13 but --

14 Q. Let me see if you would agree with some
15 of the evidence that has been given here and also
16 some, I believe, of your evidence is that the use of
17 the rate structure of offset geographical disadvantages
18 or to de-emphasize geographical advantages of other
19 regions can lead to difficulties. Would you agree with
20 that?

21 MR. DICKSON: What difficulties did you have
22 in mind, just to clarify the point so I could answer
23 it better, perhaps?

24 Q. Would you like me to be specific? Let
25 me give an example from the movement of sugar from
26 Saint John to Montreal in comparison with sugar from
27 Chatham to Montreal, and just to make it very, very
28 clear to you, under your proposal I suggest to you
29 that the result of the subvention would be to put
30 Saint John sugar in Montreal at substantially less



1 transportation cost than Chatham sugar into Montreal;
2 and, furthermore, would result in a rate on the
3 movement of sugar from Saint John to Montreal at
4 a transportation cost of less than the movement of
5 sugar from Montreal to Sherbrooke, Quebec?
6

7 MR. DICKSON: I do not know what the rate
8 on sugar is from Montreal to Sherbrooke, but your
9 statement may be correct.

10 Q. Do you not see that presenting the
11 difficulties that I was putting to you a little
12 earlier?

13 MR. DICKSON: No. The Saint John Sugar
14 Company, if it is to operate efficiently, must be
15 able to compete in the larger markets of central
16 Canada with the manufacturers located -- the other
17 sugar manufacturers located right at those markets,
18 or very close to it.

19 Q. Well, you know Mr. Alex Hill of a
20 sugar company that is well known?

21 MR. DICKSON: Yes, I have met him.

22 Q. And he made some presentations to this
23 Commission and he only went so far as to advance
24 that he drew a threshold theory, and that is that
25 the subvention should be extended so that the entire
26 transportation cost to select territories would be
27 covered?

28 MR. DICKSON: Yes.

29 Q. I suggest the result of your proposal
30 is to go further even than that?



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2 MR. DICKSON: No, I do not believe that is
3 a fair statement. Perhaps we should look at the rate
4 from Saint John to Montreal which this proposal would
5 result in.

6 Q. Under your proposal, it drops to about
7 14 point something or 15 cents per 100 lbs.?

8 MR. DICKSON: I think it is 17 cents, sir.

9 Q. You do. Twenty-two plus 33 reduction?

10 MR. DICKSON: The present rate is 24 and
11 if you take a 31.3 reduction on that, I think it would
12 be 17.

13 Q. Let me put this to you. Have you checked
14 out the rates, Mr. Dickson, to see whether the result
15 would not be to put eastern manufacturers in the
16 Montreal markets at a substantial disadvantage rate-wise
17 over Maritimes manufacturers in the Montreal market?

18 MR. DICKSON: When you say eastern
19 manufacturers, what particular eastern part of the
20 country?

21 Q. Well, let me say in southwestern Ontario?

22 MR. DICKSON: Yes, I think that is somewhat
23 the same point as Mr. Macdougall brought up earlier,
24 is it not?

25 Q. I am not talking about people over at
26 Sault Ste. Marie; I am talking about people who have
27 traditionally competed in the Montreal market from
28 southwestern Ontario.

29 MR. DICKSON: No, I think I will have to
30 disagree on the example I have here, anyway, Mr.



1
2 Sinclair.

3 Q. Have you checked them over, Mr. Dickson?
4 I have been given a number that shows that is a fact.
5 Have you checked them out?

6 MR. DICKSON: The two I have here, sir, do
7 not show that. Appendix 5, page 11.

8 Q. Did you put sugar in that?

9 MR. DICKSON: No, sugar is not in that one,
10 sir. Page 11 is the canned apple products, Thornbury
11 and Berwick. Our proposal would mean 54 cents. The
12 Thornbury would still remain at 42½ cents. We would
13 still be at an 11½ cent disadvantage.

14 Q. You pointed up that apple products
15 quite a few times, so I worked out the distance on them.

16 MR. DICKSON: Yes, sir.

17 Q. Berwick, Nova Scotia to Ottawa -- is
18 that not your example?

19 MR. DICKSON: That is the example, yes.

20 Q. And calculating the mileage via Digby;
21 that is, the short mileage?

22 MR. DICKSON: Yes, sir.

23 Q. 705 mileage, according to the distance
24 table.

25 MR. DICKSON: You have used 54 miles for
26 the Bay of Fundy distance?

27 Q. Yes.

28 MR. DICKSON: Yes, that would be right.

29 Q. And Thornbury, Ontario to Ottawa on
30 the distance table I have 329 miles.



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2 MR. DICKSON: That is right, sir.

3 Q. So what you are asking for in that case
4 is notwithstanding the calculation of the distance
5 via the short route, via Digby, Saint John, you are
6 asking for -- what is it, 275 miles?

7 MR. DICKSON: Pardon?

8 Q. You are asking for, notwithstanding
9 the fact that the mileage I have calculated is via
10 the short route, you are asking for a parity which
11 would wipe out 275 miles, give or take a mile or two of
12 transportation?

13 MR. DICKSON: I do not see where you get
14 the figure 275. Perhaps I am a little dense here in
15 my arithmetic, but our rate --

16 Q. Do you want to make it a little higher
17 than 275? I am working on averages.

18 I mean, if you are not making it point by
19 point, what I am saying is you are asking to wipe out
20 about 275 of the total of 375. You are working
21 averages instead of specific rates. That is why
22 I dropped the 100 miles.

23 MR. DICKSON: We are asking to lower our
24 rates from Berwick so that we will be able to compete
25 more closely with the shipments from Thornbury. The
26 rates I gave you were 54 and $42\frac{1}{2}$, so the Berwick
27 producer, while distance has been de-emphasized by
28 the additional subvention there, he is still at an
29 $11\frac{1}{2}$ cent disadvantage with Thorbury.

30 THE CHAIRMAN: That is what you mean by de-



1
2 emphasis?

3 MR. DICKSON: Yes, I think that is it, Mr.
4 Chairman.

5 MR. SINCLAIR Q: It is the measure of de-
6 emphasis that I am trying to bring into focus. I
7 think the point, Mr. Dickson, is this: first, that
8 the mileage I gave you from the Maritimes to Ottawa
9 was via the short route?

10 MR. DICKSON: Yes, that is the way I think the
11 traffic is probably moving.

12 Q. And secondly I took into account your
13 averaging principle and I point out that the effect
14 is to wipe out about 275 miles, give or take a few
15 miles -- a mile or two -- to wipe out 275 miles, and
16 that is the extent of de-emphasis which you are asking
17 this Commission to take into account. Maybe you would
18 like to calculate it and see if my figures are right.

19 MR. DICKSON: All right.

20 Q. Let me put it to you another way on
21 averages. See if we can agree on this: I am using
22 the 1958 Board's Waybill Analysis. Based on the 1958
23 Waybill Analysis, the effect of your parity proposal,
24 I suggest, is that the Maritime shipper to Central
25 Canada would, for example, first on the average move
26 their non-competitive commodity rated traffic 591
27 miles more than a shipper in Ontario-Quebec, but
28 at the same rate. So, the de-emphasis in mileage
29 that you are asking for on non-competitive commodity
30 rated traffic based on the 1958 Waybill Analysis is a de-



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2 emphasis of 591 miles?

3 MR. DICKSON: If your figures are correct,
4 I will accept your statement.

5 Q. And, secondly, on the average the
6 Maritime shipper would move their competitive rated
7 traffic 479 miles more than shippers under competitive
8 rated traffic in Ontario and Quebec. But, again, at
9 the same rate.

10 And, thirdly, on agreed charge traffic, the
11 Maritime shipper would move his traffic on the average
12 634 miles more than the shipper who is moving his
13 traffic on agreed charges in Ontario-Quebec; that
14 again at the same rate.

15 Now, Mr. Dickson, subject to you checking
16 those figures as to their accuracy -- and they can
17 be taken off pages 4 and 5 of the 1958 Waybill Analysis
18 -- I ask you to tell this Commission where historically
19 there is any justification for the obliteration or
20 the largely obliterating distance between the Maritimes
21 and central Canada?

22 MR. DICKSON: The rate scales on the Inter-
23 colonial originally were lower mile per mile than they
24 were in Ontario and Quebec. For example, as we
25 pointed out in the brief, the 1,000 mile Intercolonial
26 scale was the same as those in Ontario and Quebec for
27 a distance of 500 miles. The mileage, in other
28 words, would be cut in half.

29 Q. Well, Mr. Dickson, I was wondering if
30 that is what you would say because today from Halifax



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2 to Toronto on column 100 and column 45 rates, the
3 rates that you pay are approximately 50 per cent below
4 the rates for similar distance -- that is, you are
5 paying about 50 per cent on either column 100 or
6 column 45 rates that for similar distances would be
7 made in Ontario and Quebec.

8 MR. DICKSON: Yes, that may be true if your
9 figures are correct, and I would think they probably
10 are. But as I pointed out to Mr. Macdougall, how
11 much traffic moves within Ontario and Quebec on class
12 rates? I told him it was 1.2 per cent.

13 Q. I agree it is very small.

14 MR. DICKSON: You see, in --

15 Q. Let us just cover this --

16 MR. SMITH: Would you allow Mr. Dickson to
17 answer, please, Mr. Sinclair?

18 MR. DICKSON: I'm sorry, Mr. Sinclair, but
19 as I pointed out to Mr. Macdougall, too, in 1912 and
20 earlier when this Intercolonial favourable rate
21 structure existed, the class rates played a predominant
22 part in traffic in Ontario and in Quebec.

23 Q. And as for the traffic that is moving
24 on class rates, that is admittedly small?

25 MR. DICKSON: Very small.

26 Q. There is no disability in that traffic,
27 because it is now approximately 50 per cent below?

28 MR. DICKSON: Yes, I will agree.

29 Q. I will ask you this now, so that I
30 will team this up: I suggest to you that prior to



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2 any of the general increases that became effective
3 on April 7, 1958 -- that is, taking a rate April 1 or
4 March, 1948 -- that the class rates which are now
5 approximately 50 per cent of the scale in Ontario
6 and Quebec, at that time were only 33 per cent below.
7 So that, notwithstanding horizontal increases, you
8 are in a better position today on class rated traffic
9 than you were in 1948? Is that correct?

10 MR. DICKSON: That may be correct. I have
11 no way of checking here in front of me, sir.

12 Q. Well, these are all subject to your
13 check, and if you cannot find the figures, you write
14 me and I will show you where I got them, and you can
15 show us where we made a mistake.

16 THE CHAIRMAN: And tell us.

17 MR. SINCLAIR: If we made a mistake, of course;
18 if we have not made a mistake, of course the record
19 is there.

20 Q. You mention that was only a small amount
21 of traffic, so I suggest we take a look at the Board's
22 Waybill Analysis for 1958. Take a look there at the
23 non-competitive traffic from the Maritimes to Ontario
24 and Quebec and the revenue per ton mile for the
25 railways is 1.04 cents?

26 MR. DICKSON: That is right.

27 Q. For an average haul of 759 miles?

28 MR. DICKSON: That is right.

29 Q. Well, from Ontario-Quebec to the
30 Maritimes the revenue is 1.2 cents for a haul of 864 miles.



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MR. SINCLAIR: That is correct.

Q. And on competitive traffic, maritimes to Ontario-Quebec, revenue per ton mile 1.57 cents.

MR. DICKSON: Yes, that is right.

Q. For an average haul of 656 miles, and this compares with Ontario-Quebec to the maritimes of 2.74 cents per ton mile for 679 miles?

MR. DICKSON: Yes, that is right.

Q. These reductions, of course, are the billed rate?

MR. DICKSON: That is the rate paid by the shipper on maritime to eastern movements, yes.

Q. So in so far as the maritime shipper is concerned he is much more able to compete in the central Canadian market than the eastern Canadian shipper is able to compete in the maritime market. You will agree with that now?

MR. DICKSON: Would you mind repeating that, Mr. Sinclair, please?

Q. The maritime manufacturer is now much more able, transportationwise, to compete in the eastern Canadian market than the eastern Canadian manufacturer is to compete in the maritime market?

MR. DICKSON: I don't know whether you can make that general statement or not.

Q. Based on his transportation charges?

MR. DICKSON: If the eastern manufacturer ships to the maritime region and the maritime manufacturer ships from the maritime region to the same



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2 destination in the eastern region, both shipments moving
3 at the Class 45 rate, the Class 45 rate westbound would
4 be lower than the Class 45 rate eastbound, because of
5 the subvention.

6 Q. I gave you columns 100 and 45 and I
7 gave you averages on non-competitive traffic and averages
8 on competitive traffic, and I then put the question to
9 you generally in light of the facts we agreed to
10 subject to your check, and I put it to you again: in
11 light of the various segments of traffic, whether
12 the class, commodity, competitive, or otherwise, that
13 the maritime manufacturer today is transportationwise,
14 much -- and I will put the word "more" in -- much more
15 able to compete in the eastern Canadian market than
16 the eastern Canadian manufacturer is in the maritime
17 market.

18 MR. DICKSON: The eastern Canadian manu-
19 facturer has the large eastern market right at his
20 doorstep; the maritime manufacturer has only the scat-
21 tered populations of the maritimes, and if he is to
22 operate economically he must be able to compete more
23 evenly with his central Canadian counterpart in the
24 larger central Canadian markets.

25 Q. You see, maybe eastern Canadians like to
26 sell their products in all markets?

27 MR. DICKSON: I think they do.

28 Q. They would not like to forego their
29 rights and ability to sell in the maritime markets and
30 they wouldn't like to have too great a disparity in their



1
2 ability to compete in the maritime market. Don't you
3 think that would be a normal reaction of the eastern
4 Canadian manufacturer?

5 MR. DICKSON: I would suggest that if that
6 is his reaction perhaps he should be here.

7 Q. Do you think he hasn't been here?

8 MR. DICKSON: I know of one being here, yes.

9 Q. He was here in force. Of course, even
10 though a shipper doesn't come forward ---

11 MR. DICKSON: There is one thing I should add.
12 This particular manufacturer we are talking about is
13 more concerned, is he not, with his competitive position
14 in central Canada than his competitive position in the
15 maritimes?

16 Q. Oh, I don't know; he has such great
17 disability in competing in the maritime market against
18 the advantages of the maritime manufacturer in his home
19 markets. Do you not think, for instance, that you
20 would have almost a dual with an awful lot of eastern
21 manufacturers if your proposal were carried out?

22 MR. DICKSON: Oh, I don't think so, sir.

23 Q. Let me suggest to you that if an eastern
24 manufacturer were shipping to Montreal and the effect of
25 your proposal was to give the maritime manufacturer a
26 lower rate into Montreal -- and I am asking you to
27 accept my statement because it can be demonstrated
28 that this will happen under your proposal -- don't you
29 think that the eastern manufacturer would immediately
30 say: "At least I must be given parity. I am the short-



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2 haul shipper; this is my traditional market. I cannot
3 have my market destroyed by this maritime proposal"?

4 MR. FRAWLEY: Those are certainly comforting
5 words to me.

6 MR. SINCLAIR: I said he will demand it; I
7 didn't say he would get it.

8 Q. You would expect there would be some
9 demands?

10 MR. DICKSON: I would expect there would be
11 some demands. If the proposal we put forward increases
12 the economy of the region, as I suggested to Mr.
13 Macdougall this morning, then the central Canadian
14 manufacturer may be getting a greater share of the
15 maritime market regardless.

16 Q. You have two prongs, one historical, one
17 economic, and they were alternatives, but you answered
18 my friend Mr. Cooper by saying they were interrelated.
19 Do you really mean that? Do you mean that they are
20 joined together or that they are two alternatives,
21 that if you lose on the historical you can win on the
22 economic, or if you lose on either you lose on both?

23 MR. DICKSON: No, I think I will stick to
24 what I said to Mr. Cooper.

25 Q. They are interrelated?

26 MR. DICKSON: Because when Confederation was
27 conceived there were two ends perhaps to be met. There
28 was a political end, that is to unite the colonies;
29 there was an economic end that traffic and trade must
30 flow between them. The political end was to be met



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2 by the economic end. Today the political end is
3 no longer necessary because it has been achieved; Confeder-
4 ation is a fact, the provinces are united. But the
5 economic situation is there yet, and we in the Atlantic
6 provinces need something to bolster up our economy.
7 The political end might be called the historical part.

8 Q. And the interpretation of that is done
9 to your complete satisfaction, indeed, to the maritimes,
10 by the Duncan Commission?

11 MR. DICKSON: The Duncan Commission felt that
12 its action restored the disruption that took place in
13 the rate structure between 1912 and 1923. I am saying
14 that today there has been a disruption since the Duncan
15 Commission report and the relationship should be
16 restored and that the economic situation of the region
17 is such that we need some assistance.

18 Q. Well, Mr. Dickson, the Duncan Commission
19 looked at rate changes rather than rate levels, did they
20 not? They looked at the change in rates, not in the
21 level of rates?

22 MR. DICKSON: The Duncan Commission said that
23 the maritimes 100 had become 192.

24 Q. That is measuring change rather than level,
25 is it not?

26 MR. DICKSON: That is right. I was just
27 going to add that the 100 rest of Canada had become 155.

28 Q. That is measuring change, not level?

29 MR. DICKSON: Yes, that is right; they
30 measured the rate of increase.



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2 Q. And then they went on to say that they
3 were making adjustment once and for all; that is a
4 very famous phrase?

5 A. We have heard that before, yes.

6 Q. That is correct, they did say that?

7 MR. DICKSON: They did say that. Whether
8 they were correct . . .

9 Q. And legislation was passed?

10 MR. DICKSON: That is correct.

11 Q. I think this is very important, Mr. Dickson.
12 Legislation was passed by way of the Maritime Freight
13 Rates Act, which, in accordance with the Duncan Commis-
14 sion, limited the relief granted to the area which was
15 served by the Intercolonial Railway; that is, it didn't
16 extend the relief beyond what were the Intercolonial's
17 western terminals?

18 MR. DICKSON: Yes.

19 Q. And it provided further this once and
20 for all adjustment in the statute, these rate levels --
21 it is in Section 3(2)(b) of the Maritime Freight Rates
22 Act. Possibly I should read it to you because you
23 seem to have overlooked it. It states:

24 "All persons or companies are . . .

25 The Board of Transport Commissioners,
26 hereinafter called 'The Board', is
27 authorized and directed to . . .

28 (b) maintain or cause to be maintained
29 such substituted tariffs, subject to
30 all provisions of the Railway Act



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2 respecting tariffs or tolls not incon-
3 sistent with this Act, on the general
4 rate level of approximately twenty per
5 cent below the tolls or rates existing on
6 the 1st day of July, 1927, while the cost
7 of railway operation in Canada remains
8 approximately the same as at the said
9 date, but" --

10 and this is what I would like to emphasize --

11 " -- the Board may allow the increase or
12 reduction of such tolls or tariffs from
13 time to time to meet increases or reduc-
14 tions, as the case may be, in such cost
15 of operations. . ."

16 My suggestion to you is that the effect of your proposal
17 as advanced to this Commission would be to repeal that
18 section. Do you agree with that?

19 MR. DICKSON: I think this is a legal question
20 which I don't feel qualified to answer, sir.

21 Q. I don't want it to be a legal question,
22 I want it to be a factual one. Is that not the effect?
23 Do you understand what I am asking you? I don't want
24 you to answer if you don't understand the implication
25 of the question I put to you.

26 MR. DICKSON: I don't understand your question,
27 and I wondered if it wasn't a legal question, which I am
28 not qualified to answer.

29 Q. Let us see if we can agree on some facts
30 and maybe you will understand the implication. As



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2 wages and material prices increase there is an increase
3 in the cost of transport dependent upon the amount of
4 service provided. There is a relationship as regards
5 the service provided?

6 MR. DICKSON: That is right, yes.

7 Q. And so that as costs go up the longer
8 haul costs increase more than the shorter haul,
9 generally speaking?

10 MR. DICKSON: I don't know, sir, about that,
11 but I will accept your statement for now.

12 Q. And if the effect of your proposal is
13 to obliterate distance amounting to 400, 500, 600
14 miles from having any cost increases, I suggest to you
15 that that is in effect a repeal of section 3(2)(b)
16 of the Maritime Freight Rates Act?

17 MR. DICKSON: I think you have misunderstood
18 us there. We are not suggesting that the railways
19 cannot in the future increase their rates in line with
20 the increased cost of operation.

21 Q. Mr. Dickson, you have misunderstood me.
22 I made it clear I was talking of tolls, and that is
23 what people pay. The tolls would increase with in-
24 creased cost of operation. Under your proposal the
25 tolls would not increase in accordance with increase
26 in cost of operation. That was the purport of my
27 question.

28 MR. DICKSON: You are making a distinction
29 between tolls and rates. You say tolls are what the
30 people pay and rates are what the railways receive?



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2 Q. I am saying that is what these people
3 will pay under this Act and the tolls that are substituted
4 is what the people are billed, and these tolls should
5 be increased with increased cost of transportation.
6 Now, under your proposal you, in effect, repeal that
7 section because you do not enable the tolls to be
8 increased with increased cost of transportation, but
9 the tolls only to reflect parity with shorter hauls
10 in Ontario and Quebec?

11 MR. DICKSON: I wonder if this isn't a legal
12 interpretation of the word "tolls" again?

13 Q. Call the tariffs, tolls; I don't care --
14 what the people pay.

15 MR. DICKSON: We do not suggest that the
16 railways should be prevented from increasing their rates
17 in their tariffs to reflect the increased cost of opera-
18 tion, provided they have proven to the Board of
19 Transport Commissioners the increase is necessary.
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2 What we are suggesting is that there may be annual
3 measurement between the average rates published in
4 the railway tariffs as recorded in the Waybill
5 Analysis between the Maritime to eastern movements
6 and the eastern to eastern movements, be reflected
7 by a subvention reduction on the rates in the railway
8 tariffs paid by the Maritime shippers.

9 Q. Precisely; that is exactly the point I
10 put to you.

11 MR. DICKSON: Well, I can't see the difficulty
12 we are having then, sir.

13 Q. Well, if you say it is argument, maybe
14 I will leave it there.

15 The reduced billed tolls, rates, whatever
16 you want to call them, under the Maritime Freight
17 Rates Act are specifically applicable only to a
18 given tariff; correct?

19 MR. DICKSON: That is right.

20 Q. And that select territory defined?

21 MR. DICKSON: Yes.

22 Q. Under your proposal the additional
23 subvention would be to extend the preferred area to
24 the entire movement for a part of the subvention;
25 correct?

26 MR. DICKSON: The additional subvention we
27 suggest should be paid on the entire movement, that
28 is right.

29 Q. And so would you not agree that, in
30 effect, you are extending the area to which the



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2 subvention applied substantially further than the
3 select territory as laid out in the Maritime Freight
4 Rates Act?

5 MR. DICKSON: Would you mind repeating that?

6 Q. That you are extending the territory
7 over which the subvention would apply substantially
8 beyond the select territory as set out in the Maritime
9 Freight Rates Act?

10 MR. DICKSON: The additional subvention we
11 suggest would be paid on the through rate on movements
12 to the eastern region, and since the eastern region
13 runs as far west as Fort William, then conceivably if
14 you had a movement to Fort William, on that particular
15 movement it would apply on the through rate.

16 Q. That is contrary to the principle of the
17 Maritime Freight Rates Act now in the statute?

18 MR. DICKSON: Yes, it only applies to select
19 territory. The reduction is only on the portion
20 earned within the select territory.

21 COMMISSIONER MANN: Mr. Sinclair, you were
22 referring to section 3 subsection 2, subsection (b)
23 of the Maritime Freight Rates Act, and you mentioned
24 this proposal would repeal that subsection?

25 MR. SINCLAIR: Yes.

26 COMMISSIONER MANN: Do you consider that
27 the increase in the subvention rate that was made
28 in 1957 did, in effect, repeal that subsection?

29 MR. SINCLAIR: Well, Mr. Mann ---

30 COMMISSIONER MANN: That is a legal question.



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2 MR. SINCLAIR: The only thing that I have seen
3 that increased it from 20 to 30 per cent is a letter
4 from the Minister of Transport, from Mr. Marler, and
5 I have seen no legislation, and I don't want to be
6 challenged by my friend Mr. Frawley, but I don't think
7 it is possible under our constitution to change the
8 Maritime Freight Rates Act by a letter.

9 COMMISSIONER MANN: Well, I wondered what
10 position the Board is placed in when it publishes
11 normal rates for Canadian Pacific.

12 MR. SINCLAIR: I think the Board is likely
13 placed in a rather difficult position, but it also
14 got a letter from the Minister.

15 COMMISSIONER MANN: Canadian Pacific has
16 never mentioned this to the Board or the Minister?

17 MR. SINCLAIR: The Canadian Pacific mentions
18 many things to ministers, but that does not mean to
19 say they do much about it -- and, of course, Mr.
20 Marler is no longer there.

21 COMMISSIONER MANN: No; I have heard about
22 that.

23 MR. SINCLAIR: Q: Mr. Dickson, you have
24 made a substantial case, I suggest to you and your
25 associates, on the economy and the difficulties of
26 the Maritime provinces.

27 MR. DICKSON: Yes, sir.

28 Q. If that economy should be stimulated
29 in the national interest -- if it is...?

30 MR. DICKSON: Yes, sir.



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2 Q. Let us assume it should be, then that
3 could be done in a number of ways such as special
4 low interest loans to Maritime industries; that could
5 stimulate industry?

6 MR. DICKSON: Yes, that is quite so.

7 Q. Or by special direct grants to special
8 industries in the Maritimes; that is another way?

9 MR. DICKSON; Yes.

10 Q. And there is no reason why transportation
11 has to be picked on as the method to stimulate the
12 economy, is there?

13 MR. DICKSON: No, sir. I think Mr. Parks
14 answered that in reply to Mr. Brazier yesterday, that
15 transportation is one of the factors that will help
16 stimulate the economy.

17 Q. But I am suggesting to you that an
18 absolute and active and completely controlled measurement
19 can be kept industry by industry in the Maritimes
20 through the use of special grants or matters of that
21 kind, and economically this would result in a better
22 allocation of resources as it would give better control.
23 Would you not agree with that, as an economist?

24 MR. DICKSON: I think we will have to ask
25 our economist.

26 Q. Well, I am asking you as a many-headed
27 gentleman.

28 MR. PARKS: There are, of course, a number
29 of measures which could be taken in addition to
30 transportation as elements of a national policy to



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2 stimulate economic development in the Atlantic
3 provinces or any depressed area.

4 Q. My question was, by the use of special
5 grants it would result in better control and better
6 allocation of resources, and therefore, economically,
7 such stimulation would be preferable to a transportation
8 subsidy and problems it creates?

9 MR. PARKS: You are referring to an industry
10 which has at the present time some natural advantage
11 in the Atlantic provinces?

12 Q. Or potential advantage?

13 MR. PARKS: Or potential advantage.

14 Q. Or subject to at least a justified
15 experiment even if it is not demonstrably naturally
16 potential.

17 MR. PARKS: Yes. A number of proposals have
18 been made at various times by the governments of the
19 four provinces in this regard, and they have now
20 initiated a study to determine which of those policies
21 would be best adaptable to promote the economic
22 growth of the province.

23 Q. And as an economist you would agree
24 if this came to fruition this would be more beneficial
25 than a transportation subsidy such as you are proposing
26 and would result in a greater advantage to the
27 Maritimes and to Canada because it would not result
28 in the distortions that can flow from some of the
29 proposals that have been made?

30 MR. PARKS: I have difficulty in answering



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2 that question directly because the study has just
3 been initiated and we don't know at the present time
4 what effect any one of these policies might have
5 separately.

6 Q. Thank you. I have just two more points.
7 One of the things, Mr. Dickson, that concerns you
8 is the impact of the 17 per cent increase on competitive
9 rates and agreed charges in the Maritimes and
10 central Canada, and you, in your brief, set out a
11 table which showed, as you said, the intensity of
12 competition in the agreed charge sector being measured
13 by the rates containing escalator clauses. This is
14 the point I mentioned to you and said I was going to
15 ask you about.

16 MR. DICKSON: Yes.

17 Q. In looking at the eastern group of
18 the 400 odd agreed charges ---

19 MR. DICKSON: The other-Canada group.

20 Q. Yes, I am sorry. You have not excluded,
21 I suggest, agreed charges carrying expiry dates of
22 which there are a very substantial number. We have
23 counted them -- twenty-two I have counted, and I am
24 not going to say there are not more -- that do bear
25 expiry dates and which have been increased from time
26 to time in accordance with the expiry dates, and this
27 was another method of getting increases for agreed
28 charges rather than having escalator clauses.

29 MR. DICKSON: Yes sir, we have included in
30 the figure of 444 those agreed charges which contain



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2 expiry dates.

3 MR. FRAWLEY: What is the page reference,
4 Mr. Dickson?

5 MR. DICKSON: That is paragraph 100, page
6 26. I wonder if the railways were wishing to
7 maximize their revenues on these agreed charges that
8 contain expiry dates, if they would not try to put
9 the original escalator clause in it which would have
10 made those agreed charges subject immediately upon the
11 grant of an increase by the Board of Transport
12 Commissioners -- made them subject to an increase
13 immediately upon the granting of such an increase by
14 the Board of Transport Commissioners.

15 Q. As you know, Mr. Dickson, the railways'
16 agreed charges are a matter of contract and the
17 circumstances in some cases make it such that they
18 are able to get an expiry date which enables them to
19 re-negotiate even under a year in some cases -- very
20 short periods?

21 MR. DICKSON: Yes.

22 Q.which is to their advantage, and it
23 may be the expiry date shows less intensity of
24 competition than even an escalator clause. That is my
25 suggestion to you?

26 MR. DICKSON: My understanding is most of
27 those that have expiry dates apply on lumber and logs
28 and other forest products, and I think that they are
29 made to cover a particular cut of wood -- as you might
30 say in the Maritimes -- and perhaps there is no need



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2 of extending the agreement after the job is finished.
3 Therefore, it seemed to me that the absence of an
4 original escalator -- the one which would subject
5 the agreed charge immediately to the increase when
6 authorized by the Board -- would indicate a weakened
7 competitive position.

8 Q. Well, you and I may disagree on that.
9 But, you have included the ones with expiry dates?

10 MR. DICKSON: Yes, that is right.

11 Q. And the other type of agreed charge
12 which you have included in there, I suggest wrongly --
13 and, of course this affects the comparison you are
14 making -- is that you have got included in there
15 the number of agreed charges that are worked on a border
16 combination.

17 MR. DICKSON: I wonder if you might clarify
18 my mind on that. You used the term "border combination"
19 the other day, and I wonder if you would clarify what
20 you mean by that.

21 Q. Let me give you an example.

22 MR. DICKSON: Yes.

23 Q. The competition that is being met is
24 U.S. rail and truck competition from border points.

25 MR. DICKSON: That will be a shipment
26 originating in Detroit moving to Sacaton, B.C. and
27 then by truck to New Westminster -- no, that is not
28 a good example -- to Victoria.

29 Q. Oh, you can get examples from the west
30 coast into the prairies, and from eastern Canada to the



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2 prairies, and from eastern Canada, on copper, into the
3 prairies and western Canada; you can get examples
4 anywhere where you can make U.S. rail connection and
5 truck from border points.

6 MR. DICKSON: That is what I wanted to get
7 clear in my mind. You say there are a number of those
8 agreed charges included in the 444?

9 Q. Yes, that is what I have been instructed.

10 MR. DICKSON: I wonder if you would have any
11 indication of how many?

12 Q. No, we would have to check them. All I
13 can say is there are a number. I don't mean one or
14 two -- I mean there are more than two -- substantially
15 more than two.

16 MR. DICKSON: I wonder if this changes the
17 validity of our argument. If, again, you were anxious
18 to maximize your revenue on those agreed charges, wouldn't
19 it be possible to put into the agreed charge an escalator
20 such as the deferred escalator, and I will re-word that
21 the way I think you may be able to put it into the
22 agreement:

23 "If any general increase in freight
24 rates be ordered by the Interstate Commerce
25 Commission the agreed charge set out in
26 paragraph D of this agreement shall be
27 increased in the same proportion except
28 that no increase shall be made until the
29 agreement has been in effect for a period
30 of one year."



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2 Q. You don't make that seriously?

3 MR. DICKSON: Why not make the agreed charge
4 subject to the U.S. increases immediately authorized
5 or one year later?

6 Q. For the simple reason there are two
7 factors you are measuring -- border combinations, and
8 if that was the only time they were going to be
9 increased, then we would not be able to increase them,
10 without giving notice of cancellation, when truck
11 rates went up. And truck rates do go up in this
12 country, you know.

13 MR. DICKSON: Yes, that is right, but also
14 in some of these ones made to meet U.S. competition
15 it will be made to meet rail rates as well as rail
16 and truck rates, too. Wouldn't that be a correct
17 assumption?

18 Q. There may be some, but the ones I am
19 talking about are border combinations. So, my point
20 to you is that these tables contained in paragraph 100
21 at page 26, adjusted for other situations and
22 conditions, may very well show that the relationships
23 of the escalator clauses are approximately in balance.

24 MR. DICKSON: Subject to whatever revised
25 figures you have and subject to the qualifications I
26 have made.

27 Q. Then, in spite of the other element --
28 that was the competitive rated traffic -- I suggest
29 to you that your difficulty here was that you didn't
30 have readily available to you all the traffic movements



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2 and all the rates and all the revenues, but that if
3 they were, or a sample of them -- 1 per cent or whatever
4 kind of samples you have available for your other study
5 -- that if you had had that kind of information it
6 would have been preferable to looking at individual
7 rates as you did in your appendices 6, 7 and 8.

8 MR. DICKSON: If we had had volume figures
9 available to us we certainly would have looked at them.

10 Q. To measure impact in dollars you would
11 use revenues rather than ---

12 MR. DICKSON: Revenues and the other one --
13 we should look at both of them, and they are not
14 readily available to us.

15 Q. But they are available to the railways
16 and we are making that study, and that information is
17 available in the material of Canadian Pacific which
18 is the balance of our presentation and which is now
19 available to you.

20 MR. DICKSON: I do hope -- I am glad to hear
21 you say that, because I do hope in your presentation
22 you will set out clearly the point you have just made
23 so that we can examine it.

24 Q. It is there, and Mr. Smith will be
25 there to follow out any instructions you may wish to
26 give him about asking questions of the traffic officer
27 of the company, and we will stand behind the study
28 when he appears.

29 Now, this is my final question to you. If,
30 as I have suggested, there is no deterioration in



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2 your position, in the competitive forces that
3 prejudicially affect the Maritimes, transportation-wise,
4 but notwithstanding that, you have economic difficulties
5 which I certainly am not going to deny in the light
6 of the evidence you have presented, then do you not
7 think in your emphasizing the transportation factor
8 you are weakening your position rather than attempting
9 to strengthen it?

10 MR. DICKSON: That is a question of opinion
11 again, isn't it?

12 Q. And if you were going to look at all
13 carriages and try to look at them objectively -- water,
14 truck, rail -- and you wanted to treat them alike,
15 would you want to place on them the same obligations?

16 MR. DICKSON: What obligations do you have
17 in mind? I have heard you mention that term before.

18 Q. Unjust discrimination, penalties for
19 non-compliance with rates as filed?

20 MR. DICKSON: We suggested ---

21 Q. Appeals to the Governor General-in-council
22 says Mr. Mauro -- that, of course, is one I am sure
23 no fair minded person would expect anybody to be under --
24 so, I didn't put it, but Mr. Mauro did. Would you
25 expect all these other carriers to have the same
26 obligations and limitations on their activities?

27 MR. DICKSON: We have suggested that if the
28 trucking industry and the water carriers are to
29 participate in this new subvention that they should
30 file their rates with the subvention authority and



1
2 that they must be properly licensed and franchised
3 and they must charge the rates filed.

4 Q. And would not be allowed to discriminate
5 unjustly or give undue preference?

6 MR. DICKSON: Perhaps I could continue: the
7 proposed legislation would carry sanctions against
8 fraudulence.

9 Q. Now I am adding undue preference and
10 unjust discrimination?

11 MR. DICKSON: Well, I think the only thing
12 I can say is that I will stick to what I have said
13 in the submission, that we are not suggesting any
14 further regulation for the other carriers, and that
15 is set out there. There may be some found necessary
16 by the subvention authority, and if that is so we
17 will have to look at it.

18 Q. On the water carriers, this could
19 involve tramp steamers?

20 MR. DICKSON: No, we have tried to say in
21 our brief, but perhaps not too clearly, that it will
22 be only the steamship companies providing a regular
23 scheduled operation.

24 Q. Why would you, for instance, eliminate
25 tramps who are ready and providing competition?

26 MR. DICKSON: A tramp steamer is something
27 in the nature of a private carrier, is he not? He
28 is probably on charter -- time, or trip or something --
29 to the shipper or the receiver.

30 Q. I am talking about regular tramps. I am



1
2 not talking about charter vessels. They are just
3 picking up goods. I am using "tramp" in the sense
4 they are not under charter -- "true tramps", let me
5 put it that way.

6 MR. DICKSON: I am sorry, but it seems to me
7 once the vessel starts providing a scheduled service
8 it is not a tramp steamer.

9 Q. I am not talking about scheduled service.
10 They are tramps and will take whatever they can find,
11 and you don't know when they are coming in -- it may
12 be shortly before they arrive. They are providing
13 some competition now, and what you are doing is not
14 making them -- you are excluding them from your
15 additional subvention.

16 MR. DICKSON: Yes.

17 Q. And you are excluding them for the
18 reason that you feel they are not worthy of the
19 subvention? Why are you excluding them? They are
20 now a competitive force.

21 MR. DICKSON: Not a very substantial one, I
22 would expect. I would think it is the scheduled
23 services and the private services or the charter
24 services that are the more important competitive force
25 and, frankly, I hand't given consideration to the
26 tramp situation, but I think that we should try, rather
27 than encourage something of that nature, to encourage
28 the growth of the scheduled services.

29 Q. Mr. Dickson, it has been suggested here
30 by the truckers that the effect of the Maritime Freight



1
2 Rates Act as now in force is some type of disability
3 to them, and particular reference was made to the
4 fact that subventions under the Maritime Freight Rates
5 Act were given on competitive rated and agreed charge
6 traffic. It is the position of Canadian Pacific
7 that it would be equitable if the Maritime Freight
8 Rates Act subventions did not apply to competitive
9 rated traffic. Would you agree with that?

10 MR. DICKSON: No ---

11 COMMISSIONER MANN: Or agreed charges?

12 MR. SINCLAIR: Well, that is competitive
13 rated -- I said "competitive rated".

14 MR. DICKSON: The Maritimes Transportation
15 Commission, in our submission, is not suggesting any
16 change in the Maritime Freight Rates Act as it
17 presently applies.

18 Q. I said, would you consider it would be
19 equitable that the Maritime Freight Rates Act
20 subventions would not apply to competitive rated
21 traffic?

22 MR. DICKSON: No. Again, we are back to our
23 brief: we are not suggesting any changes, so our
24 position must be that the situation is all right as
25 it is.

26 MR. SINCLAIR: Mr. Dickson, you, Mr. Armitage
27 and your other group here had a most difficult point
28 to make. I do admire the ingenuity, the resourcefulness
29 and the very fine way that you have put forth what I
30 consider to be a most difficult position.



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2 MR. DICKSON: Thank you very much, Mr.
3 Sinclair. Coming from you I do certainly appreciate
4 that.

5 ---Luncheon adjournment.
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2 ---On resuming at 2.00 p.m.

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4 ---BY COMMISSIONER GOBEIL:

5 Q. Mr. Dickson, yesterday and today it
6 seemed to me that serious doubts were expressed by the
7 different counsel as to whether your proposition did
8 not mean a revision of the Maritime Freight Rates
9 Act based, as Mr. Sinclair put it I believe this
10 morning, most essentially or basically on the economic
11 consideration; and he also said, and I got that
12 impression, too, that the proposition which was put
13 by the Atlantic Sugar Company for an increase of the
14 30 per cent to 100 per cent subvention within the
15 select territory would be more in line with the
16 Maritime Freight Rates Act; and, on your page 34 there
17 in all the paragraphs on that page you list the reasons
18 why you would not favour 100 per cent subvention, of
19 which there are three; the way I see it, eliminating
20 competition and no periodic review to take care of
21 the different conditions, and not the same terms, not
22 the same advantage for short or long hauling.

23 Which of those three would you say are the
24 most important? Or, are they just the same?

25 MR. DICKSON: Mr. Commissioner Gobeil, I
26 think I would like to answer that like this. We
27 feel that the up-dating of the Maritime Freight Rates
28 Act must be done with the three requirements that we
29 have set out in paragraph 123, and the proposal of
30 the sugar refineries did not fit all of those



1
2 requirements, and for that reason we rejected it.

3 Q. That is your reason, but if one takes
4 it for granted that by doing this you are going out-
5 side and changing the spirit of the Maritime Freight Rates
6 Act, those are the three serious objections you had
7 to what Atlantic Sugar was suggesting regarding the
8 100 per cent subvention?

9 MR. DICKSON: We tried to set out there
10 the difficulties possibly inherent in the 100 per cent
11 subvention and how perhaps they did not meet the three
12 requirements which we felt that the up-dating of the
13 Act should meet.

14 I don't agree that we are going outside the
15 intent of the Maritime Freight Rates Act. The
16 intent, as we interpret it, was to enable us to enjoy
17 the larger markets of Canada, and our proposal, we
18 feel, would do that.

19 Q. Your proposal will mean the subvention
20 of 31.3 per cent on the through rate?

21 MR. DICKSON: That is right.

22 Q. It was intimated to me yesterday that
23 -- and this would be paid by the government?

24 MR. DICKSON: Yes.

25 Q. It was intimated to me yesterday that
26 your proposal would mean more than 100 per cent sub-
27 vention. Do you think that is right?

28 MR. DICKSON: Yes. I am afraid Mr.
29 Sinclair left that impression this morning, too, and
30 I should like now to correct that. I gave Mr. Sinclair



1
2 a rate on sugar from Saint John to Montreal, which
3 presently is 24 cents. Our proposal, at the 31.3
4 per cent subvention, would make that rent 17 cents.
5 The Acadia-Atlantic proposal would make that rate 9
6 cents.

7 Q. Does that mean that your proposal --
8 I don't want to state any one rate, as I don't know
9 enough -- but it will cost more to Canada in disburse-
10 ments at the end of any year by your proposal or by
11 100 per cent subvention in the select territory?

12 MR. DICKSON: I was trying to recall, Com-
13 missioner Gobeil, the cost that the sugar people
14 estimated theirs at, and I cannot, so I cannot compare
15 it with the cost of ours there. But on this one rate,
16 I think it illustrates the sugar proposal means a
17 lower rate than ours.

18 Q. But it might be possible that your
19 proposal might mean more money in subvention than
20 100 per cent subvention within the select territory?

21 MR. SMITH: No, it is the other way.

22 MR. DICKSON: I rather think it might be
23 the other way, but I really would have to sit down and
24 see what Mr. Hill has estimated his cost at. I
25 am advised that he says it is \$480,000 on the 1958
26 experience of Acadia-Atlantic, but how that relates
27 to the all-maritime traffic, I cannot say.

28 THE CHAIRMAN: I think he mentioned \$15
29 million.

30 MR. DICKSON: \$15 million additional?



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THE CHAIRMAN: Yes.

MR. DICKSON: Well, then, ours would be considerably less. We, as you recall, have an estimate in our submission of 6½ million, and I think we indicated in our presentation that we felt this was too low. But I am sure it would not increase to \$15 million.

COMMISSIONER GOBEIL: No.

MR. SINCLAIR: I think, Commissioner Gobeil, that probably swings on the length of the haul in relation to the mileage and how the rates are constructed mileage-wise, and you would have to check the rates out. But the easy one, I think, would be to take Fort William and then work it on a rate to Fort William.

MR. DICKSON: That is true, Commissioner Gobeil.

MR. SINCLAIR: There would be no argument about that one.

MR. DICKSON: If you go as far west like Fort William is to central Canada then our proposal would give more of a reduction in the rate than Acadia-Atlantic's.

COMMISSIONER GOBEIL: Q. I have only one more question, Mr. Dickson.

For the Maritime Freight Rates Act's purposes, a great deal of Quebec is maritime, too; as you know?

MR. DICKSON: A part of Quebec is included in that area, that is right.

Q. I have got the impression -- I know very little about freight rates -- but I have the impression



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2 that your Commission and your proposal is working too
3 much to the advantage of the Quebec section of the
4 Maritime Freight Rates Act, and what I have in mind,
5 for instance, with your proposal a man who is shipping
6 from Beaumont, say, which is five miles from Levis and
7 seven miles from Quebec City, right now what he would
8 get from the Maritime Freight Rates Act is almost
9 nothing; isn't it?

10 MR. DICKSON: Yes, that would be true.

11 Q. With your proposal, those people in
12 Levis would get a terrific advantage over the rest of
13 the maritimes because they would get the reduction of
14 a straight 30 per cent right up to Toronto; isn't that
15 so?

16 MR. DICKSON: If the rates from Beaumont
17 were ---

18 Q. It is three miles inside of the select
19 territory?

20 MR. DICKSON: Yes. If the rate from
21 Beaumont were considerably lower than the rate from a
22 point in the Atlantic provinces, and if the additional
23 subvention were applied to the Beaumont rate, then it
24 would widen the spread that presently exists between
25 the Beaumont rate and a rate from a point within the
26 select territory, for both would be getting the same
27 reduction because of the workings of the horizontals
28 in reverse. It would widen the spread.

29 Q. If Beaumont would be within three miles
30 of the select territory, they would get the straight



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2 30 per cent rate up to Toronto; or, am I wrong?

3 MR. DICKSON: If the additional subvention
4 were paid on the Beaumont rate, yes.

5 Q. Why would it not be?

6 MR. DICKSON: We have not suggested that
7 the additional subvention be necessarily confined to
8 the present select territory. We have endeavoured to
9 show that the additional subvention is necessary for
10 the economy of the Atlantic provinces.

11 We have not the data on the economic situation
12 in that part of Quebec which lies within the select
13 territory. Perhaps it is very much the same as the
14 Atlantic provinces. But, where we speak of the
15 economic situation in the Atlantic provinces, it has
16 been only the Atlantic provinces.

17 Q. You intimated, then, that if your
18 proposition was applied that select territory will not
19 have any more than Levis; it might be handled in
20 Rimouski, or even somewhere in New Brunswick?

21 MR. DICKSON: The select territory as defined
22 in the Maritime Freight Rates Act would still continue
23 to apply up to Levis and Diamond.

24 Q. Oh, but your proposal would not apply
25 to all the select territory?

26 MR. DICKSON: Well, it could, sir.

27 Q. What if it does not apply? You say it
28 could. You are not sure. But if it does not apply,
29 suppose it was up to the Riviere du Loup. There
30 is a population there which would be deprived of a



1
2 certain advantage, and this population is larger than
3 the province of Prince Edward Island, and is represented
4 by six members as against four.

5 MR. DICKSON: Yes, we would have no objection,
6 Commissioner Gobeil. Don't misunderstand me, we
7 would have no objection to it being extended if there
8 was need of it being extended to include that part of
9 Quebec.

10 Q. And if it is left -- Beaumont or
11 Montmagny -- I think some people in Quebec City will
12 not be happy because they would be inclined to establish
13 a sugar refinery or a fish cannery ten miles from
14 Quebec and get the 30 per cent reduction?

15 MR. DICKSON: Yes, I can see that point,
16 sir.

17 COMMISSIONER GOBEIL: Thank you.

18 MR. DICKSON: It does exist at the present
19 time to some extent. Even now, certain companies I
20 understand sometimes have shipments from Quebec to
21 Levis and then ship them under the Levis rate.

22 THE CHAIRMAN: Commissioner Platt?

23
24 BY COMMISSIONER PLATT:

25 Q. I have one question for Mr. Parks.

26 I have a good deal of sympathy with your
27 problem because I come from one of the colonies myself.
28 I understand your proposals; it is designed to encourage
29 manufacturing in your area.

30 Well, even if this proposal was granted, do



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2 you think that the objective would be obtained? I can
3 see where this would be an advantage to someone who
4 is manufacturing in the maritimes now, but for someone
5 to start up when he can start up with presumably about
6 equal cost, say, in the Golden Horseshoe, why should
7 he base his future on government action which will be
8 subject to constant criticism and put himself under
9 fire at all times, and may well lose that advantage
10 at some future date, when, as I say, it is equally
11 advantageous for him -- most other things considered --
12 to be in central Canada to start with?

13 Do you really think that this would have any
14 effect if it were implemented in encouraging the location
15 of new plants?

16 MR. PARKS: As you suggest, sir, I think
17 probably the first effect would be to improve the
18 competitive position of existing industry -- of industry
19 presently existing in the Atlantic provinces -- to
20 enter the larger and concentrated market area of Canada.
21 And, in the process of this, I suppose it will have the
22 effect of increasing the scale of production -- increasing
23 the total production, in other words -- and creating
24 new employment on the part of industry presently estab-
25 lished in the area.

26 Now, in so far as new industry is concerned,
27 I suppose the effect here is to eliminate this part of
28 the disadvantage of industry located in the Atlantic
29 provinces, which is due to the distance from the central
30 market.



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2 Now, there may be other factors in the
3 location of industry which would not be covered by
4 this.

5 COMMISSIONER GOBEIL: May I ask you some-
6 thing, Mr. Parks. I forgot I had some little infor-
7 mation I wanted to get from you.

8 In your Appendix IX on page 20, you have a
9 very significant increase for three years in the
10 personal income for 1944, 1945 and 1946. And then
11 you come down again. Is there any explanation for
12 this 5 per cent? It is quite a lot suddenly, you
13 know. As a matter of fact, it is 10 per cent,
14 almost, from 1946 to 1948?

15 MR. PARKS: Yes. This very significant
16 increase in personal income per capita in the Atlantic
17 provinces expressed as a per cent of personal
18 income per capita in Canada does appear in our figures
19 in Table 2, Appendix IX for the years 1945, 1946 and
20 1947. In Table 1, you will note, sir, that the
21 absolute figures show considerable increase from
22 1944.

23 THE CHAIRMAN: That is on the preceding page?

24 MR. PARKS: That is on the preceding page,
25 sir -- on page 19 of the same exhibit. We do note
26 the increase from 1944 to 1945 to 1946. But the
27 drop in absolute figures does not seem to appear after
28 this three-year period.

29 Q. Yet this difference which is there on
30 Table 2 -- you have no explanation for it?



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2 MR. PARKS: Well, it is obviously connected
3 with some -- or it would appear it is connected with
4 some movement of per capita income in Canada, rather
5 than in the Atlantic provinces where it does appear in
6 the percentage relationship between the two, but it
7 does not appear so strongly in the absolute figures
8 which relate only to the Atlantic provinces.

9 Q. So it might be a new investment of
10 Mr. Irving?



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2 MR. SMITH: Well, my questions in re-
3 examination, Mr. Chairman, will be very short.

4 ---RE-EXAMINATION BY MR. SMITH:

5 Q. I refer to the transcript for
6 September 13th, Volume 84, page 14491, in which the
7 question is asked:

8 "Has the Maritimes Transportation
9 Commission any views as to whether or not
10 the railways should be free to engage in
11 the for-hire trucking industry or should
12 be restricted in any way in engaging in
13 that industry?"

14 Now, the question I am about to ask you,
15 Mr. Dickson, is: do you personally have an opinion
16 on this question and, if so, what is it?

17 MR. DICKSON: Mr. Smith, personally, it
18 would seem to me that the railways should be allowed
19 to engage in the trucking industry, providing, of
20 course, that their activities in that field do not
21 create an effective monopoly. I have no
22 instructions from the Commission on that point,
23 but I feel that they would back up my personal
24 opinion there.

25 Q. Now, Mr. Dickson, I refer you to
26 page 14533 of the same volume, and there there are
27 some questions which my friend Mr. Frawley put to
28 you, with customary vigor:

29 "But you would say -- and I am not
30 using these expressions offensively -- but



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2 you would come out into the open with
3 regard to the more recent subsidy that
4 you are now requesting?"

5 And your answer is set out there. Why do
6 you not suggest that the present 30 per cent reduction
7 asked for be covered by a master tariff?

8 MR. DICKSON: In suggesting that the present
9 30 per cent reduction be not covered by a master
10 tariff, we were not trying to hide what the present
11 subvention is; in fact, I would be very, very happy
12 if I could always look at the tariff and see exactly
13 what revenue the railways receive. But there is
14 a bit of an administrative problem there. You cannot
15 publish one tariff which would show the proper
16 reduction for each rate in the railway tariff; that is
17 because of the way the reduction is calculated. The
18 present reduction is paid only on the portion of the
19 rate earned within select territory, so if you had
20 a rate, half of which was earned within select
21 territory and half of which was earned outside select
22 territory, you could publish a master tariff at that
23 particular rate at 15 per cent, but every time your
24 portion changed then you would need another tariff
25 at that particular percentage.

26 Q. Mr. Dickson, Mr. Sinclair discussed
27 with you this morning a possible disadvantage which
28 eastern Canadian manufacturers might have in the
29 Atlantic markets if your plan were adopted. In this
30 connection I wonder if you are familiar with certain



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2 representations which were made by Mr. Guptill on
3 behalf of Weymouth Industries at the Halifax hearings,
4 and could you refer to the page in the transcript
5 in which representations were made and discuss them.

6 MR. DICKSON: Yes, I am familiar with Mr.
7 Guptill's representations on behalf of Weymouth
8 Industries. Their representations begin at 720
9 in volume 6 of the transcript of evidence of November
10 13th, 1959, and Mr. Guptill in his representations
11 to the Royal Commission endeavored to point out that
12 he was at a disadvantage right in the Maritime market
13 with manufacturers located at such points as Montreal
14 and Toronto; the manufacturers located at those
15 points, Montreal and Toronto, are able to utilize pool
16 car services and move their furniture right into their
17 home market at carload rates plus the profit of the
18 pool car operator and handling charges, and because
19 of the scattered and small nature of Maritime
20 industry and population the Maritime industry is not
21 able to take advantage of pool car service westbound
22 to central Canadian markets. So the point he was
23 making is that even though the westbound rates in
24 some cases may be lower than the eastbound rates, the
25 central Canadian manufacturers are still able to
26 obtain lower rates by utilizing pool car movements
27 than the Maritime manufacturer is in his own markets
28 because the Maritime manufacturer must move his
29 shipments often at less than carload rates and very
30 often at higher rates.



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2 Q. This is the last question I will ask you.
3 In the course of Mr. Sinclair's examination today he
4 suggested that if your plan were adopted you would be
5 extending the operation of the subvention beyond
6 Diamond Junction and Levis. Have you any views to
7 express as to what has been done in the past and as
8 to the validity of Mr. Sinclair's suggestion?

9 MR. DICKSON: The original 20 per cent
10 reduction under the Maritime Freight Rates Act on
11 movements westbound produced a certain level of a
12 rate. If you take the example again of a half of the
13 portion within the select territory and half outside
14 and take a rate of \$1.00 before the reduction, then
15 the 20 per cent reduction made that rate 90 cents;
16 but if you increase the reduction from 20 per cent to
17 30 per cent, as it was increased, then that rate
18 became 85 cents, and if you can ship at a 90 cent
19 rate, then you have extended your area westbound
20 because the rate is now \$1.00 with the 20 per cent
21 reduction. So I don't see there is much difference
22 in either case: if you increase the subvention rate
23 on the portion you extend the territory you can reach
24 westbound. The only thing would be if you only
25 apply the reduction on the portion you need a much
26 greater percentage in order to reach as far westbound
27 as you would if you apply the reduction on the total
28 rate.

29 MR. SMITH: I think those are all the
30 questions I will direct to Mr. Dickson by way of



1 re-examination.
2

3 I might ask Mr. Parks one question and that
4 will complete the re-examination.

5 Q. Mr. Parks, I would direct your
6 attention to certain questions which were asked by my
7 friend Mr. Sinclair as to transportation being only
8 one of the factors that might possibly affect the
9 present economic position of the Maritimes. May I
10 ask whether or not you put the problem of transportation
11 in the forefront of the measures that are required
12 for that purpose, the purpose of ameliorating our
13 present situation?

14 MR. PARKS: Mr. Smith, in Appendix 9 of
15 this submission we tried to point out with some
16 clarity that a major factor in inhibiting the rate
17 of economic development in the Atlantic provinces was,
18 first, a small population and a relatively small
19 volume of total purchasing power, and, secondly,
20 geography which is instrumental in creating a heavy
21 transportation cost to the mass markets of Canada.
22 Now, if these are two of the important factors which
23 do inhibit the development of the Atlantic provinces,
24 I think it is obvious that transportation must assume
25 very important significance.

26 Q. And you referred to a study that is
27 being made at the present time?

28 MR. PARKS: Yes, I did make a reference to
29 that this morning, Mr. Smith.

30 Q. But your submissions that are made here



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2 are in addition to any relief that might come from
3 that study; is that the position?

4 MR. PARKS: That is correct, sir.

5 MR. SMITH: Thank you. Mr. Dickson has pointed
6 out that he wishes to bring his table, Table No. 2,
7 on page 22, up to date.

8 Q. Would you just make the changes, Mr.
9 Dickson? That is paragraph 79.

10 MR. DICKSON: Mr. Macdougall this morning
11 asked me for the accumulative increase over 1948
12 and 1951 would be, and he suggested certain figures.
13 I have had an opportunity to check Mr. Macdougall's
14 figures, and I find that they are right.

15 ---FURTHER CROSS-EXAMINATION BY MR. FRAWLEY:

16 Q. Mr. Dickson, could I direct your
17 attention to paragraph 64 of this brief? It is
18 the excerpt from the address of the Minister of Finance
19 on the 14th of March, 1957, and I wonder if you can
20 tell us whether or not there has ever been published
21 or completed the examination which is referred to
22 in these words:

23 "In the view of the government we
24 should now undertake a fresh and
25 comprehensive examination of the entire
26 transportation of the Atlantic provinces
27 in order to determine what changes could
28 contribute towards the economic welfare
29 of the region."

30 Do any of your people know if that has ever



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2 been published?

3 MR. DICKSON: There was a study undertaken,
4 yes, as the result of that statement, Mr. Frawley,
5 but what the results of that study were, if there
6 were results, I do not know, sir.

7 Q. Or who did it?

8 MR. DICKSON: A group of economists within
9 the Department of Transport did some work on it, sir.

10 Q. But it never reached anything more
11 than an inter-departmental memorandum, as far as
12 you are concerned?

13 MR. DICKSON: Would you repeat that?

14 Q. Nothing was ever published.

15 MR. DICKSON: Nothing was ever published, and
16 we were given no results of their study.

17 Q. And the Maritimes Transportation
18 Commission was not given any of those results?

19 MR. DICKSON: No.

20 COMMISSIONER MANN: Mr. Frawley, from copies
21 of Hansard it is apparent that this study was being
22 undertaken by an inter-departmental committee,
23 consisting of, among others, the Department of
24 Transport and the Department of Public Works. But
25 as far as anyone knows, there have been no results
26 ever published.

27 MR. SMITH: That concludes our submission.

28 THE CHAIRMAN: Mr. Smith, on behalf of
29 the Commission I want to congratulate all four
30 witnesses. I think they have been very honest and,



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2 as the Commission particularly appreciates, very
3 frank and responsive. There has been no fencing
4 with counsel at all, and whether they are right or
5 wrong - and we will judge that - we appreciate the
6 work they have done and their views. To Mr.
7 Dickson in particular I would say this: you have
8 a very hard job to do; you are acting secretary,
9 succeeding two very good men, and we can only say
10 this, that if you need a reference as to
11 knowledgeability you can refer to us.

12 MR. DICKSON: Thank you very much, Mr.
13 Chairman. I do heartily agree with you that the
14 two men that went before me in this witness box on
15 behalf of the Maritimes Transportation Commission
16 were very, very capable men.

17 THE CHAIRMAN: Mr. Matheson?

18 MR. SINCLAIR: Mr. Chairman, before Mr.
19 Matheson presents the views of Dosco and so that no
20 one will be taken by surprise, and we may in this
21 way assist the work of counsel and the Commission,
22 two memoranda of additional submissions of Canadian
23 Pacific are now available. I don't know whether
24 they have been received by the Commission, but when
25 their time comes it is my intention merely to call
26 Mr. Emerson and to qualify him and to file the
27 document without anything more than that. I am
28 not going to ask him to read any part of it or
29 summarize it, and he will then be available for
30 cross-examination by Commission counsel and counsel.



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2 Similarly, with the other memorandum, dealing with
3 changes in general revenue cases and other traffic
4 matters, the witness to that memorandum will be
5 Mr. Roberts, who has appeared before the Commission
6 before. He will therefore not have to be qualified.
7 I will just put the document before him and he will
8 say he was responsible for it, and he will then be
9 available for cross-examination by Commission counsel
10 and my friends.

11 THE CHAIRMAN: Anything that anyone can
12 do to shorten up this work will be appreciated by
13 all of us.

14 MR. HUME: Mr. Chairman, may I also
15 enquire as to whether or not the dates published
16 in the Dispatch and the Globe and Mail as to future
17 sittings of this Commission are official or pure
18 speculation?

19 THE CHAIRMAN: Well, I haven't seen the
20 Globe and Mail. I suggest you inquire of Mr.
21 Anderson. We will know tomorrow morning.

22 Mr. Matheson is no stranger to us.

23 MR. SMITH: Yes. Mr. Matheson has asked
24 me if I would assist him in connection with the
25 presentation of this submission on behalf of
26 Dominion Steel and Coal Corporation Limited.

27
28
29
30



SUBMISSION OF DOMINION STEEL AND
COAL CORPORATION, LIMITED

Appearances:

Rand H. Matheson, General Manager of Traffic

John M. Ellis, General Manager Sales

A.L.Hicks, Assistant to the General
Traffic Manager.



1
2 MR. SMITH: It would be gilding the lily,
3 I suppose, if I attempted to put in the qualifications
4 of Mr. Rand Matheson. He has appeared before Royal
5 Commissions and before the Board on many occasions, but
6 perhaps for the benefit of the members of the Commis-
7 sion who are not familiar with Mr. Matheson I might
8 ask him certain preliminary questions as to his
9 qualifications.

10 DIRECT EXAMINATION BY MR. SMITH:

11 Q. Mr. Matheson, your present position
12 with Dominion Steel and Coal Corporation Limited is
13 what?

14 MR. MATHESON: General Manager (Traffic).

15 Q. You were educated at Dalhousie Uni-
16 versity?

17 MR. MATHESON: That is correct.

18 Q. Graduated in Commerce?

19 MR. MATHESON: Yes, and specializing in
20 transportation.

21 Q. When?

22 MR. MATHESON: 1929..

23 Q. And then you were connected with Pickford
24 & Black Limited, Steamship Agents, Halifax?

25 MR. MATHESON: That is correct.

26 Q. For how long?

27 MR. MATHESON: Five years.

28 Q. From there did you go to the Maritime
29 Transportation Commission?
30



1
2 MR. MATHESON: The Maritime Transportation
3 Commission.

4 Q. Since then an "s" has been added --
5 Maritimes Transportation Commission?

6 MR. MATHESON: Yes; in 1934.

7 Q. And you were Executive Manager from
8 1934 until when?

9 MR. MATHESON: Until 1955, excepting the
10 time I was on loan to the government during the war
11 years.

12 Q. And since then you have been the Traffic
13 Manager of Dominion Steel and Coal Corporation?

14 MR. MATHESON: Yes.

15 Q. You have appeared before a number of
16 Royal Commissions: would you like to name them?

17 MR. MATHESON: I think I have lost count.
18 Both local in character, in the maritimes, as well as
19 Dominion.

20 Q. Including both Turgeon Commissions?

21 MR. MATHESON: Yes.

22 Q. And the Gordon Commission?

23 MR. MATHESON: No, I didn't appear before
24 that.

25 Q. And you have appeared on many rate cases
26 and general increase cases before the Board?

27 MR. MATHESON: And the Interstate Commerce
28 Commission.

29 MR. FRAWLEY: Mr. Matheson also was Adviser
30 on Transportation to the Rand Royal Commission on Coal.



1
2 MR. SMITH: Oh, yes, he was too modest to
3 mention that.

4 Q. Now, you have filed a submission to this
5 Commission and may I ask what is your intention with
6 respect to the presentation of the submission? In
7 other words, do you want to read it, or have it taken
8 as read into the record?

9 MR. MATHESON: We would like to have it
10 taken into the record as read, Mr. Chairman and
11 members of the Commission. The original intention in
12 connection with this submission was that our corporation
13 president, Mr. A. L. Fairley, Jr., was to be present,
14 but unfortunately because of another commitment in the
15 United States this week it was not possible for him to
16 be here. However, if it please the Commission we
17 would like to have Mr. Fairley appear before this
18 Commission on Tuesday afternoon to speak to the
19 Conclusion. It was the original intent also that he
20 would speak to or read the introduction as well as
21 the conclusion of our submission.

22 While we are asking that the submission be
23 taken into the record as read, I would like very much
24 to refer to several changes that we wish to make in the
25 submission -- changes and corrections. We have
26 disseminated an errata page as an addendum to the
27 one we previously sent out incorporated in the brief per
28 se.

29 Q. I have before me what is entitled
30 "Addendum Errata Page"; is that the first one?



1
2 MR. MATHESON: This is the second one.
3 The original one was incorporated. May I ask you
4 to turn to page 17 where you will see at lines 4 and
5 9 the word "winter", and would you kindly change that
6 to "summer", and where you have the word "summer"
7 would you kindly change that to "winter"?

8 Similarly, in connection with line 9 where
9 it shows "winter" please change that to "summer",
10 and where the word "summer" appears please change that
11 to "winter".

12 In line 10, that should be a new paragraph,
13 31A.

14 In line 11, where you see \$3.60, change that
15 to read \$4.90.

16 On line 12 where it now reads \$2.80, that
17 should read \$4.10.

18 The other changes are relatively minor as
19 well. On page 29, paragraph 64, the word "scale"
20 should read "scales".

21 In Appendix II, in the back of the brief, the
22 reference mark with an asterisk before \$4.30 in column 3
23 and \$10.02 in column 6, the rates from Sydney to Montreal,
24 that asterisk should be deleted.

25 THE CHAIRMAN: I think perhaps you ought to
26 repeat that.

27 MR. MATHESON: In Appendix 2, the reference
28 mark, the asterisk before the rate of \$4.30 in column 2
29 -- actually it is column 3 if you take the "from" and
30 "to" into consideration; so, it is column 3. Delete



1
2 the asterisk before \$4.30, and also in column 6
3 delete it before \$10.02.

4 COMMISSIONER MANN: Is this under both
5 headings -- under wire rods and billets and blooms?

6 MR. MATHESON: That is correct.

7 MR. SMITH: Q. That concludes the
8 notation of the errors or omissions, doesn't it?

9 MR. MATHESON: That is right.
10 ---See Volume 85A for Brief.

11 Q. Have you any observations to make on
12 Part I, the Introductory part of your submission?

13 MR. MATHESON: Part I constitutes a resume
14 of DOSCO's position in respect of the maritime trans-
15 portation problem. I think that several of those
16 paragraphs should be read for the purposes of emphasis.

17 Q. Well, will you proceed to read the ones
18 you consider should be read?

19 MR. MATHESON: First of all, for those who
20 are not too conversant with DOSCO perhaps reading the
21 first paragraph will be of some assistance:

22 The Operations of the Dominion Steel
23 and Coal Corporation, Limited at points extending
24 from Wabana on Bell Island, Newfoundland to Walker-
25 ville, Ontario, a distance by water of 1840 miles and
26 by rail from St. John's, Newfoundland of 2127 miles,
27 include ore mines at Wabana, limestone mines at
28 Aguathuna, Newfoundland, coal mines in Cape Breton,
29 a steel plant at Sydney, Nova Scotia, steel works and
30 a railway car plant at Trenton, Nova Scotia, coal
mines at Thorburn, Nova Scotia, shipyards at Halifax,



1
2 Nova Scotia, a small fabricating plant at Saint John,
3 New Brunswick, steel fabricating plants at Montreal
4 in Quebec and Etobicoke (Toronto) and Walkerville
5 in Ontario. In addition to the productive effort in-
6 volved in those operations, the Corporation owns and
7 operates steamships and three railroads.

8 "It can readily be seen, from the scattered
9 operational scope and the distance range that freight
10 costs, transportation and problems relating thereto loom
11 very large in importance in the conduct of Dosco's
12 business; and particularly, is this so when it is con-
13 sidered that the Corporation's major works are located
14 in the Atlantic provinces remote from the principal
15 market area in Canada, i.e. between Montreal and
16 Walkerville, where presently about 75 per cent of the
17 steel consumption occurs. Therefore, while the
18 transportation factor is directly or indirectly
19 of considerable importance to the plants of the
20 Corporation located in the central provinces, it bulks
21 larger in respect of works in the Atlantic provinces
22 because of the great distances involved to the
23 principal consuming region and because freight costs
24 represent an important element in the complex steel
25 marketing structure. To offset differences in such
26 costs its absorption has evolved as a recognized
27 method of equalizing competition as between producers
28 shipping to a particular point.

29 "The Atlantic provinces are a relatively
30 small steel consuming area. (In 1959, exclusive



1
2 of rails and tie plates delivered to the railways at
3 Sydney, N.S., for 'On company service' in the maritimes
4 and exclusive of blooms and ingots to Trenton for ship-
5 ment therefrom to maritime destinations, only 3.7
6 per cent of the total shipments from Sydney Works was for
7 the maritimes.) Indeed, a substantial portion of the
8 steel outlet in the Atlantic provinces is to Dosco
9 plants at Saint John and Trenton and even a large
10 proportion of the latter's production finds its way
11 into central Canada. All in all, if the Sydney
12 steel plant was entirely dependent upon the market
13 of the Atlantic provinces it could only operate a
14 few weeks each year. Consequently, to obtain a volume
15 to afford economies of scale most of the production
16 from the maritimes area must be shipped into central
17 Canadian and/or the world export field.

18 "While the Sydney plant is situated close
19 to its coal source and approximately 360 miles from
20 the Wabana ore mines and 180 miles from the limestone
21 quarries at Aguathuna, Newfoundland, those proximities
22 to raw materials do not weigh as advantageously as it
23 would appear in relation to plants located in southern
24 Ontario. The high phosphorous and silica content
25 of the Wabana ore and the fact that Cape Breton coals
26 make poor coke present processing problems. On
27 this aspect, the Report on 'The Canadian Primary
28 Iron and Steel Industry' prepared for the 'Gordon
29 Commission' observed that 'Dosco steel making costs
30 may, on balance, be somewhat higher than those of



1
2 the other producers."

3 I should observe here that the wage scale
4 in the Sydney steel area is on a parity with that
5 existing in the central provinces, particularly the
6 Hamilton area, our chief competitors.

7 Now, I will turn to paragraph 8:

8 "The prime disadvantage of the Sydney industry,
9 therefore, lies in the relatively long distance from
10 that part of Canada constituting the principal steel
11 market area. Steel industries located within that
12 pale have the added advantage of being able to effect
13 delivery within hours or a very few days. Moreover,
14 they possess also alternative methods of delivery to
15 a greater degree. Then, too, the impact of
16 transport competition has resulted in rate reductions
17 to a much larger extent than obtaining in the fringe
18 areas. Concomitant with this the competitive position
19 of the Sydney steel industry has been further aggra-
20 vated by the horizontal percentage increases in freight
21 rates which have also contributed to upset rate re-
22 lationships and forced greater absorptions in trans-
23 portation costs, when that was possible at marginal
24 net returns, in order to obtain access to the principal
25 markets in Canada. These combination of developments
26 have had erosive effects on the movement of Dosco
27 traffic from Sydney Works in an expanding economy."

28 Q. Mr. Matheson, there seems to be a familiar
29 ring to the last part of your paragraph 8 in the repre-
30 sentations that have been made to this Commission by



1
2 the Maritimes Transportation Commission. I would
3 like to ask if there were any consultations in the
4 preparations of the respective briefs?

5 MR. MATHESON: Both briefs were prepared
6 independently, I assure you, and were only exchanged
7 when the distribution took place in general.

8 At this point I think I should now speak
9 to paragraph 9:

10 "The need to cater to customers on short
11 notice, the relatively higher costs in shipping
12 finished products from the maritime area, and the
13 effects of motor truck competition on the freight
14 rate structure in the central provinces all contri-
15 buted in forcing Dosco to establish finishing plants
16 within central Canada. Those plants use primary
17 steel produced at Sydney but the semi-finished steel
18 used by the finishing plants must bear high trans-
19 portation costs resulting from the long haul from
20 the Sydney plant."

21 ---Short recess.
22
23 -
24
25
26 -
27
28
29 -
30



1
2 THE CHAIRMAN: Order, please.

3 MR. SMITH Q: How far have you progressed
4 in your reading, Mr. Matheson?

5 MR. MATHESON: I finished part 9 and I
6 am turning now, Mr. Chairman and members of the
7 Commission, to paragraph 13:

8 "13. A recent locational study,
9 prepared by Arthur D. Little Inc. for the
10 Nova Scotia government, on the economics of
11 a flat rolling mill at Sydney vis-a-vis
12 the Montreal area found, among other things,
13 that 'because of freight rates in
14 delivering flat-rolled products to
15 market, the mill logically would be
16 located close to the market'."

17 THE CHAIRMAN: For the record, just who is
18 Arthur D. Little Inc.?

19 MR. SMITH: Well, may I add there, Mr.
20 Chairman, that I propose, as I have intimated in a
21 letter which I have sent to the Secretary of the
22 Commission, to call Mr. Pepper as a witness on behalf
23 of the Nova Scotia government to speak to that
24 matter, and Arthur D. Little Inc. are well known.

25 THE CHAIRMAN: Well, I know who they are,
26 but just for the record.

27 MR. SMITH: They are well known people, and
28 I will refer to them at greater length tomorrow
29 in Mr. Pepper's submission.

30 MR. MATHESON: Now, reading paragraph 14:



"14. The stark reality of the situation is that there has evolved a worsened competitive position for Dosco's Maritime Works as a result of changing conditions and circumstances involving:

(a) An ambivalence of increasing transportation costs from the Maritime operations with lesser increases and improved services in the principal market area.

(b) A less favourable location to service customer requirements.

(c) A more highly competitive export market for steel products.

15. The extent to which an industry can absorb increasing differences in transportation costs, provide warehouse facilities and inventories at the principal markets as well as other alternative measures to hold a part of the Canadian steel market, has its limitations if it is to enjoy the economies of scale associated with expansion.

16. But for the Maritimes Freight Rates Act the situation would have been relatively worse. Indeed, if it were not for the Act, it is very questionable if the Maritime steel operations would have been able to carry on at all and certainly not



1
2 at the present scale; - unless in the
3 process the increasing level of rail
4 rates would have made water trans-
5 portation more attractive - as it has
6 already done in several instances during
7 the last few years - and is likely to do
8 again if rates are further increased."

9 MR. SMITH Q: Now, Mr. Matheson, I observe
10 in Part II there appears a resume of the historical
11 aspects. Have you anything to say respecting this
12 part?

13 MR. MATHESON: Well, I think, Mr. Chairman
14 and members of the Commission, that those aspects
15 have already been fairly covered in previous
16 submissions in the submission of the Maritimes
17 Transportation Commission before you, and also before
18 other commissions.

19 In fact, a complete historical background
20 was submitted to the Royal Commission on Transportation
21 in 1949, if you remember, and the material, if it
22 will serve any further purpose to the Commission,
23 is probably available in the archives. Be that
24 as it may, I think the first two lines of paragraph
25 should be stressed.

26 "It is apparent from the Duncan
27 Commission's report that the immediate
28 measure recommended is intended as
29 a partial remedy only."

30 Q. Mr. Matheson, have you anything further to say



1
2 regarding the impact of changed conditions since
3 July 1, 1927 when the Maritime Freight Rates Act first
4 became effective?

5 MR. MATHESON: I think that the situation
6 in relation to Dosco can be no more succinctly
7 expressed than in the words starting from the middle
8 of paragraph 27 on page 13, with the word:

9 "...perforce of the repeated
10 increases since April 8th, 1948 the
11 cumulative rail rate levels have been
12 reaching the point where water transport,
13 even allowing for conveniences inherent
14 in rail transport, was becoming more and
15 more competitive. In fact, in 1959, even
16 despite the roll-back effected on August
17 1st of that year, it had become manifest
18 that recourse would have to be had to
19 water movement in order to alleviate the
20 erosive effects of a combination of
21 horizontal rail rate increases from the
22 Sydney works and rate reductions from
23 transportation competition in the
24 central region."

25 Q. I notice at page 15 you have left that
26 blank. Is there any specific thing to appear there?

27 MR. MATHESON: No, there was nothing.

28 Q. I just noticed it in turning over the
29 page.

30 MR. MATHESON: Well, that was put there



1
2 because we might have had something else to add
3 there in the course of the preparation of the brief,
4 but we did not get around to it.

5 Q. Now, you have certain appendices to
6 your submission and are there any of these to which
7 you wish to refer?

8 MR. MATHESON: Yes. I think that we would
9 like to bring your attention specifically to appendices
10 2, 3, 5 and 6. But, rather than speak to those
11 exhibits I think it would be quicker if I read
12 paraagraphs 31, 31 (a), 32, 33 and 34.

13 "In appendix 5 it is shown
14 that the differential on billets, blooms
15 and wire rods from Sydney, N.S. to Montreal,
16 Quebec vis-a-vis Hamilton to Montreal as
17 of August 1st, 1959 stood at \$4.87 during
18 the summer months and \$1.92 during the
19 winter months compared with \$1.30 on July
20 1st, 1927 the date the Maritime Freight
21 Rates Act became operative and resulted
22 in offsetting partly the spread in rates
23 that emerged from the commercializing of
24 the Intercolonial."

25 If you remember, I mentioned previously
26 that the Act as far as we were concerned only
27 partially remedied the situation.

28 "However, pursuant to negotiated
29 rates effected on December 14, 1959,
30 the differentials on those commodities



1
2 were reduced to \$4.41 during the summer
3 and \$1.46 during the winter."

4 On May 6th, 1960, the roll-back of the eight
5 per cent resulted in the summer differential remaining
6 at \$4.41, while the winter differential increased to
7 \$1.59.

8 "To Toronto, the rail rate differential
9 on wire rods Sydney vis-a-vis Hamilton on
10 June 30, 1927..."

11 That is before the Maritime Freight Rates
12 Act became effective.

13 "...stood at \$4.90 per gross ton
14 whereas on July 1st, 1927, pursuant to
15 the Maritime Freight Rates Act, it was
16 \$4.10. As of April 7, 1948, the
17 differential had risen to \$4.20 whereas
18 today..."

19 And that was some few weeks ago when this
20 was prepared --

21 "...it is \$9.15."

22 Incidentally, as on May 6th, 1960, with the
23 roll-back being put to eight per cent instead of ten
24 per cent, it became \$8.98.

25 "In March 1959, the truck rate on
26 steel products Hamilton to Toronto was
27 \$2.464 per g.t. and today it stands at
28 about \$2.688 per g.t."

29 We are quite conversant with these truck
30 rates, keeping in mind our operations in Etobicoke and



1
2 Toronto.

3 "As a consequence the actual freight
4 differential Sydney vis-a-vis Hamilton
5 is about \$10.35 per g.t. (On May 6th,
6 \$10.11). "

7 MR. SINCLAIR: You say you are conversant
8 with the truck rates from Hamilton to Toronto because
9 that was the advantage your Toronto man had over your
10 competitor in Hamilton. I'm sorry. I didn't quite
11 understand you.

12 MR. MATHESON: Oh, no. We are quite conversant
13 with those rates in that area because of the fact we
14 have a plant in Etobicoke, Toronto, and we are daily
15 in touch following these steel movements and the
16 rate applicable following those rates.

17 MR. SINCLAIR: It is an advantage you have
18 over the Toronto manufacturer in the Toronto market,
19 transportation-wise?

20 MR. MATHESON: You mean at our Toronto plant?
21 No, no. This is a rate from Hamilton to Toronto
22 that applies from Hamilton to the Toronto plant, or
23 to Toronto in general; not necessarily to other plants.

24 I don't think we buy anything, do we, Mr.
25 Ellis?

26 MR. ELLIS: Only on the limited range, if
27 there was an advantage to the Etobicoke plant.

28 MR. MATHESON: Yes, that is right.

29 "Appendices 2 and 3 detail the
30 increased differentials to specified



1 destinations that have evolved since
2 April 7, 1948 and Appendices 4 and 5
3 set forth further data showing a cross
4 section of the changes that have taken
5 place to the detriment relatively of
6 Sydney Works. There are a number of
7 destinations included in the appendices
8 to which Sydney once shipped certain
9 finished steel products. Today, those
10 markets are uneconomic because of the
11 freight rate increases that have been
12 effected from time to time. Some are now
13 served from the finishing plants located
14 in the area but increased transportation
15 costs are also involved in transporting
16 the semi-finished steel for processing.

17
18 In Dosco's fiscal year ending July
19 31, 1959, the total transportation costs
20 in respect of traffic originating in or
21 destined to the Maritimes involving
22 Dosco and Dominion Coal Company's Maritime
23 Operations, but exclusive of freight costs
24 in the delivered prices of materials
25 purchased and materials sold F.O.B. plant,
26 amounted to over \$16,000,000.00."

27 The breakdown is contained in Appendix 6 and
28 perhaps you might just want to turn to that appendix
29 to observe how the breakdown was made. We have
30 endeavored to get the figures for rail, water and



1
2 truck, both outbound and inbound.

3 The products that Dosco produce and ship
4 at our various plants from the Atlantic, Lake Erie
5 are set forth in Appendix I, and will give some idea
6 of the wide scale.

7 I point out, however, that we do not at
8 the present time produce flat steel products at any
9 of our plants.

10 Now, in paragraph 34 we state:

11 "From Sydney Works alone the outbound
12 rail freight cost incurred by Dosco amounted
13 to about 3.2 millions. Since steel
14 shipments to destinations in the Maritimes
15 are sold generally F.O.B. plant, about all
16 of this rail freight bill was incurred in
17 respect of steel movement to stations
18 outside of the 'select territory.' (West
19 of Levis and Diamond, Que.) Out of this
20 amount, approximately \$1,861,269.00 or about
21 59 per cent has to be absorbed to meet the
22 competition of the principal steel producers
23 in the central area. If one were to assume
24 there was an integrated steel plant at
25 Montreal, the absorption per ton of billets
26 would then be in the order of the cost of
27 freighting from Sydney. Today, rail costs
28 on billets, blooms and wire rods from
29 Sydney to Montreal is \$8.96 per g.t...."
30 Incidentally, that is an agreed charge that



1
2 was effected on December 14, 1959.

3 "If the outlet for those products
4 in the Montreal market amounted to 200,000
5 g.t. per annum..."

6 And, incidentally, Mr. Chairman and members
7 of the Commission, we do not want to give the exact
8 figures of our sales in the Montreal market.

9 THE CHAIRMAN: Trade secrets.

10 MR. MATHESON: It is a trade secret, but if
11 the Commission would like to have that information
12 we would be only too pleased to give them the data.
13 On that assumption, therefore --

14 "...the absorption for the Sydney
15 Works compared with a steel plant in
16 Montreal..."

17 -- or the Montreal area --

18 "...would amount to almost 1.8 million
19 dollars. Those illustrations should be
20 sufficient without further detail to show
21 that because of freight costs the selling
22 value of products at Sydney Works is
23 forced to a relatively lower level than
24 more favourably located plants serving
25 the principal markets of Canada."

26 MR. SMITH: Q: Now, Mr. Matheson, what
27 conclusions do you draw from what you have set forth?

28 MR. MATHESON: I think that the conclusions
29 can be more or less epitomized in the words of
30 paragraph 36 in which we say:



1
2 "It cannot be gainsaid, therefore,
3 that the necessity of absorbing differences
4 in transportation costs to the principal
5 markets constitute a predominant factor
6 in depressing the returns to various
7 types of industries in the Atlantic area
8 and as a consequence has unfortunately
9 placed a limit on development and
10 expansion."

11 Q. Now, Mr. Matheson, can you tell us
12 if there have been any modifying influences in the
13 territory on the rate increases?

14 MR. MATHESON: Yes, with the horizontal
15 increases one on top of the other the water transport
16 factor has become a more pervasive one. For example,
17 as we stated in paragraph 37:

18 "In the evolvement of the rail rate
19 structure applicable within and from
20 and to the Atlantic provinces, cognizance,
21 more or less, has had to be taken of
22 water competition. It is possible, however,
23 that from time to time the pervasiveness
24 of cheap water transport as an alternative
25 to land carriage has not always been
26 fully appreciated. Indeed, it is this
27 influence that accounts mainly for the
28 extensive rate groups associated with the
29 region's rail rate structure."

30 Q. Do you refer to paragraph 43 in that



1
2 regard?

3 MR. MATHESON: Yes, I think this is a
4 further elaboration on it:

5 "While water transport offers an
6 alternative means to move steel products
7 during the season of navigation..."
8 And that, generally speaking, is from
9 April 15th to November 30th.

10 "...and while it also can exert a
11 temporizing influence over further
12 horizontal percentage increases...."
13 And I have in mind there agreed charge 887.

14 "...yet, the fact remains -
15 absorptions are none the less necessary
16 to equalize the disadvantages which the
17 increases have aggravated."
18
19
20 -
21
22
23 -
24
25
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1
2 Q. Now, Mr. Matheson, we come to Part IV
3 which begins at page 22 under the heading "The Carriers
4 as Part of Dosco's Production Line." I would ask you
5 what you have to say in respect of Part IV?

6 MR. MATHESON: The Commission's attention
7 is drawn to the percentage distribution by the dif-
8 ferent modes of transport from our Dosco maritime
9 plants. If you notice in paragraph 48, in the
10 period August 1st, 1958, to July 31st, 1959, 85 per
11 cent of the shipments from Dosco's maritime plants
12 were by rail -- incidentally, these figures do not
13 include our coal shipments -- 13 per cent by water
14 but 2 per cent by truck. This is all as set forth
15 in percentages with a greater breakdown in Appendix VII.
16 This relatively high percentage by rail vis-a-vis trucks
17 emphasizes the degree to which Dosco has been dependent
18 upon the railway.

19 Q. Those are all the observations you wish
20 to make in respect of Part IV?

21 MR. MATHESON: That is all, Mr. Smith.

22 Q. Now, we come to Part V which appears
23 under the heading "Commercial Considerations Involving
24 Railway Costs Subordinate to the Generating of
25 Maritime Trade." I would ask you if there is any
26 portion of Part V which you wish to stress at this time?

27 MR. MATHESON: I think it is largely self-
28 explanatory. I think it might be advisable, though,
29 if I just referred to paragraph 53 here:

30 The Atlantic Region railway operations are
also beset with increased costs owing to relatively



1
2 high gradients and sharper curvatures on not only
3 branch lines but also on segments of the main line.
4 Take, for example, from Sydney, N.S. to Moncton, N.B.,
5 the diesels classed as MR-16 operating out of Sydney,
6 N.S. can only handle per unit 1500 tons from Sydney to
7 Havre Boucher, N.S., which is a divisional point ---

8 MR. FRAWLEY: In Cape Breton?

9 MR. MATHESON: No, that is in Nova Scotia,
10 across the water -- 1300 tons from Havre Boucher to
11 Truro, N.S.; 1650 tons from Truro to Moncton, New
12 Brunswick; in contrast to 21000 tons from Moncton,
13 New Brunswick, over the so-called National Transcon-
14 tinental line of the Canadian National Railways.

15 Now, I think that most of this material is
16 chiefly self-explanatory. But there has been placed
17 in connection with the rate structure in Canada a
18 greater and greater concentration on the cost factors
19 in the making of rates, and this is of special sig-
20 nificance to us in the maritime area, that is, our
21 plant operations there, because of the higher costs
22 associated with the railway operation in that territory.
23 Now, it is out thought that there should be a subordi-
24 nation of distances in relation to this cost factor and
25 because of the fact that locomotives have not the same
26 tractive effort as they have in other sections of
27 Canada and possibly in the prairies of western Canada.

28 Q. Is that all you have to say in respect
29 of Part V?

30 MR. MATHESON: Yes.



1
2 Q. Then that takes us to Part VI. That
3 is under the heading "Carrier Costs Vis-a-Vis Needs
4 of Maritime Industries," and I would ask you what you
5 have to say in respect to the contents of that Part?

6 MR. MATHESON: Mr. Chairman, I think that
7 I will read paragraphs 63, 64, 65, 69 and 70.

8 Dosco submits that rate increases instead
9 of being applied horizontally should have been imple-
10 mented selectively in order to maintain as nearly as
11 reasonably possible the "discrimination between" that
12 had existed in relation to the maritime area.

13 Q. I notice you have the expression
14 "discrimination between" in quotation marks. Why?

15 MR. MATHESON: That, Mr. Smith, has reference
16 to, I believe, a Judgment that was rendered. I just
17 do not remember it offhand.

18 Q. Was it the Interpretation Judgment?

19 MR. MATHESON: I think it was the Interpre-
20 tation Judgment on the maintenance of discrimination
21 in the rates as set forth under the old Section 7 of
22 the Maritime Freight Rates Act. I think the words
23 are in Section 7. But, in any event, the interpre-
24 tation of Section 7 was the maintenance of discrimina-
25 tion in regard to the rate structure in points outside
26 the select territory.

27 Q. Now, go on.

28 MR. MATHESON: Perhaps in some respects
29 "selectivity" in applying rate increases would be
30 antithetical to the national policy of rate equalization



1
2 as enunciated in Section 336 of the Railway Act. Yet,
3 except for limiting rate equalization to class rates
4 as the ceiling of the rate structure and in respect
5 of some commodity scale where otherwise there would
6 exist relative unreasonableness, there is no need
7 for stereotyping rail rates in the face of the
8 competitive conditions obtaining and the increasing
9 use of costs in rate making as exemplified by the
10 growing number of agreed charges.

11 In effect there has been compelled
12 selectivity in rate making brought about by com-
13 petitive forces whereas traffic less vulnerable to
14 that field of influence has been subjected to a
15 greater measure of increases. This is borne out by
16 an analysis of the Board's waybill studies which shows
17 that horizontal increases were applied more effectively
18 in respect of traffic between the maritimes and
19 central Canada and between central and western
20 Canada.

21 Q. Now, would you like to refer to or
22 read any other passages on this chapter?

23 MR. MATHESON: I did say I was going to
24 cover 69 and 70, but I think I think I should also
25 read 67.

26 MR. SMITH: Fine, sir.

27 MR. MATHESON: It is the restrictive
28 effects of the means to an end involved in a series
29 of horizontal increases that, in the long run, defeat
30 the end itself.



1
2 In 1926 the ingot capacity of the steel
3 operations at the Sydneys amounted to 593,000
4 short tons whereas at present it is 930,000 short
5 tons or an increase of about 57 per cent. In the
6 same period of time, the combined ingot capacity of
7 the two large steel plants at Hamilton, Ontario,
8 increased from an ingot capacity of 470,000 short
9 tons to 3,500,000 or an increase of about 645 per
10 cent.

11 To help remedy the adverse effects of
12 changed conditions and circumstances Dosco believes that
13 it can best be achieved by subordinating distance
14 on a "selective" approach directed to offsetting the
15 impact of the horizontal increases.

16 Mr. Chairman, while we take this position, we
17 do not wish it to appear that we are taking a contrary
18 position to that of the Maritimes Transportation
19 Commission. What we are endeavouring to do is try
20 to find a remedy. We know that other suggestions
21 have been placed before your Commission, and it is our
22 hope that from all these different remedies and pro-
23 posals your Commission, in its wisdom, will find an
24 answer and a solution to a most difficult problem.

25 THE CHAIRMAN: Do you endorse any one?

26 MR. MATHESON: We endorse our own because
27 we feel it fits more to our particular situation; that
28 is to say, all we are asking -- I will elaborate on
29 this further -- is that we get to the fringe of the
30 steel area of Canada and then we will let the chips



1
2 fall where they may. I think when we approach this
3 it will answer some of the questions that have already
4 been raised. I have in mind one made by Commissioner
5 Anscomb yesterday in connection with the possibility
6 of a mill on Vancouver Island vis-a-vis a mill at
7 Sydney and the relativity of the rates, and I think
8 our approach tends to modify that position. In other
9 words, we are trying to approach it realistically
10 rather than trying to say that both of them should
11 be put on the same relative basis.

12 However, we do want to stress that we are
13 not taking any position against any proposals. There
14 may be weaknesses attached to ours as well as to the
15 others.

16 MR. SMITH: Q. Now, in Part VII I think
17 you deal with your method?

18 MR. MATHESON: Yes. Part VII is our
19 approach to correct the existing rate disparities in
20 relation to steel from our maritime operations, and
21 I think it will save time if I read these paragraphs
22 and speak to them so that what we have in mind will
23 be clearly elucidated. Paragraph 73 reads:

24 Since the end result of changes in rates,
25 as they affect Dosco's Sydney Works, has been caused not
26 only by horizontal increases but also by lesser
27 increases to competitors in central Canada, it is
28 submitted that the combination of causes in disrupting
29 rate relationships should be taken into consideration
30 in any approach to a cut back in the prevailing rates.



1
2 In this approach, Montreal is taken as a
3 keypoint. This is not a new departure since Montreal
4 has always been the nucleus of the rate structure be-
5 tween the maritimes on the one hand and central and
6 western Canada on the other. Indeed, if it were
7 not for the existence of the Grand Trunk Railway
8 between Levis and Montreal at the time the Intercolonial
9 was extended to Levis, it is quite possible that
10 instead of resorting to "running rights" the "Con-
11 federation" railway would have been extended to
12 Montreal.

13 In any event, the existing rate structure
14 between the maritimes and stations west of Montreal
15 is predicated on arbitraries over the rates from and
16 to Montreal. This structure has been repeatedly
17 recognized by the Board of Transport Commissioners.
18 The Decisions are at the bottom of the page, or some
19 of them, in any event.

20 By taking Montreal, Quebec, as a keypoint,
21 Dosco's proposition is not to pay a net rate in
22 excess of rate parity with Hamilton at Montreal, Quebec.
23 What is hereinafter proposed is not without substantive
24 foundation. Improved vessel units and handling
25 techniques geared to the traffic volume offer
26 attractive potentialities. Indeed, even now, taking
27 the type of steel originating at Sydney, water trans-
28 port has been quite persuasive on balance in relation
29 to the rail rates being suggested as a base.

30 It is not customary to give any rates, what



1
2 we do pay and so on, but it would do no harm, I think,
3 to state that in some calculations in connection with
4 coal rates -- we charter ships, and so on, for that
5 purpose, for moving coal from Sydney, along with our
6 own ships.

7 MR. SINCLAIR: British registered ships?

8 MR. MATHESON: British registered and
9 Canadian registered. Our own two ships are Canadian
10 registered.

11 I think it would be quite all right for me
12 to say that the cost of freighting coal from Sydney
13 to Montreal is around \$1.60, but there are instances
14 that the cost of freighting can be considerably
15 below that. That is just the cost of moving the coal
16 from pier to pier.

17 To determine the rate to apply from Sydney,
18 Nova Scotia, the first step is to take a weighted
19 average of the increase in rates from Hamilton,
20 Ontario, to Montreal, Quebec, from June 30th, 1927
21 (before the effective date of the Maritime Freight
22 Rates Act) to July 31st, 1959 (before the rates were
23 rolled back temporarily by the Freight Rates Reduction
24 Act) and adopt the result as the maximum increase.
25 To do this the rates in effect on billets, blooms and
26 wire rods, for example, from April 15 to November 30,
27 1959 and from December 1st to April 14, 1959, from
28 Hamilton to Montreal, were weighted by the volume of
29 steel moved from Sydney to Montreal in that period.
30 That is to say, we took the volume of steel that was



1
2 moved in those periods from Sydney to Montreal and
3 applied to it the rates that were in effect from
4 Hamilton to Montreal. Incidentally, on these figures
5 we found that there is only about one per cent differ-
6 ence if, instead of using actual traffic figures,
7 a calendar basis was used. The various steps in
8 striking at the proposed rates follow:
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2 At the top of page 33 we show that the competitive rate
3 or the commodity rate from Hamilton to Montreal on
4 June 30th, 1927 was \$3.00 per long ton; on July
5 31st 1959 we find that there is a competitive rate
6 from Hamilton to Montreal of \$4.55 and a commodity
7 rate of \$7.98, the competitive rate having been
8 increased from June 30th, 1927, or whenever the
9 competitive rate was first implemented to July 31st,
10 1959 by \$1.55, whereas the commodity rate was
11 increased by \$4.98. The weighted rate as of July 31st,
12 1959 was determined at \$5.89 per gross ton.

13 This then would be the cost of freighting
14 Billets, Blooms and Wire Rods, from Sydney, Nova Scotia
15 to Montreal, Quebec. This is the rate Dosco should
16 have if it is not to be handicapped. The weighted
17 increase from Hamilton to Montreal, in this case,
18 amounts to \$2.89 per ton. On the other hand, the
19 rates from Sydney, Nova Scotia to Montreal, Quebec
20 on Billets, Blooms and Wire Rods -- and this is
21 exclusive of Maritime Freight Rates Act reimbursement
22 to the railways -- were on the same dates as follows:
23 on June 30th, 1927 the commodity rate was \$5.10. On
24 July 31st, 1959 the revenue rate to the railways is
25 \$11.79, or an increase of \$6.69, and the commodity
26 rate reflects an increase of \$8.08. This \$11.79 is
27 the approximate normal rate predicated on the agreed
28 charge rate of \$8.96 per long ton established on
29 December 14th, 1959 for purposes -- this \$11.79 is
30 for the purposes of reimbursement to the railways under



1
2 the Maritime Freight Rates Act.

3 The comparison of increases bespeaks the
4 disparate consequences of the changes which have taken
5 place during the years indicated. If one were to go
6 back to 1916, before the Eastern Rates Case, the
7 resulting rate divergence would be even more severe.
8 If instead of saying this weighted rate parity of
9 \$5.89 we said let us work it out on a mathematical
10 basis and see what we come up with, this is the result:
11 on June 30th, 1927 the rate from Sydney to Montreal
12 was \$5.10. If we add to that the weighted increase
13 of \$2.89, which takes place in connection with the
14 weight from Hamilton to Montreal, that is to say,
15 from \$3.00 to \$5.89, and add this to the \$5.10 we
16 come up with a total of \$7.99, without application
17 of the Maritime Freight Rates Act.

18 By applying the 30 per cent reduction for
19 the select territory proportion of the through rate one
20 then obtains a rate of \$6.07 per long ton compared with
21 the parity weighted rate of \$5.89 or a difference of
22 18 cents which is reasonably close allowing for
23 adjustments in traffic flow.

24 Incidentally, I was quite surprised to note
25 the figure that was brought forth in the Maritimes
26 Transportation Commission brief by applying the 32.5
27 per cent to the existing rate, and if I remember
28 correctly they came up with a rate around \$6 and
29 some odd cents as well, or, very close to the rate of
30 \$6.07. So that, by two means of approach, we come



1
2 up with practically the same, as far as Montreal is
3 concerned. I don't know what the Maritime figures
4 came up with in connection with other destinations.

5 However, since the railways current revenue
6 under A.C. 887 is about 1179 cents there would be
7 required for reimbursement to the carrier the difference
8 between 1179 cents and 589 cents or 590 cents. Since
9 the Act at the 30 per cent level would reimburse the
10 railways to the extent of 283 cents there then would
11 be required a further amount of 307 cents per long
12 ton. This amount then would be covered by special
13 legislation superimposed upon the Maritime Freight
14 Rates Act in order to recompense the carriers for
15 their revenue requirements based on the existing normal
16 rate.

17 The question arises what about the rates
18 on Billets, Blooms and Wire Rods, for example, to
19 points beyond Montreal, or what we call the fringe?
20 Dosco proffers in that connection that the differences
21 that applied on Billets, Blooms and Wire Rods as of
22 July 31, 1959 over Montreal to points beyond be
23 added to the Montreal base rates.

24 Incidentally, I should observe this is not
25 the arbitraries we are asking to be added on -- the
26 arbitraries that go to making up the integral rates
27 between the Maritimes and points beyond Montreal, but
28 this is what you might call the differences that
29 exist today in respect of the rates over Montreal to
30 various points.



As a result the following rates would obtain:

Sydney, N.S. to Brockville, Ont. Montreal base 589, difference 81. 670 compared with 1083 on July 31, 1959.

Sydney, N.S. to Kingston, Ont. Montreal base 589, difference 110. 699 compared with 1112 on July 31, 1959.

Sydney, N.S. to Belleville, Ont. Montreal base 589, difference 329. 918 compared with 1331 on July 31, 1959.

Sydney, N.S. to Toronto, Ont. Montreal base 589, difference 384. 973 compared with 1386 on July 31, 1959.

I should observe too that at our plant in Etobicoke we ship wire rods for further processing, and as of July 31st, 1956 that is the rate we paid in respect of moving the wire rods from Sydney all the way to Toronto, and there we process the wire rods into wire and nails as well.

Just for a moment I would ask you for the purposes of comparison to look back at that rate that applies by truck from Hamilton to Toronto, at page 17: \$2.688 per gross ton.

In the case of Bars the Hamilton to Montreal weighted rate is determined as subjoined: from Hamilton to Montreal on July 31st, 1959 the competitive rate is shown as \$10.75, and the winter rate is shown as \$11.65. On June 30th, 1927 the rate was \$6.83, so that the increase in respect of the summer rate is \$3.92, and the winter rate \$4.82. The weighted rate as of July 31st, 1959 was determined at \$11.09, and the rate as of June 30th, 1920, \$6.83 showing



1
2 a difference of \$4.26. The rate to apply from Sydney
3 to Montreal should therefore not exceed \$11.09 per
4 long ton. The approximate normal rate for the
5 current agreed charge of \$11.20 per long ton is
6 approximately \$14.74.

7 MR. FRAWLEY: I don't understand that. How
8 do you get the \$11.20?

9 MR. MATHESON: The \$14.74 is by mathematical
10 calculation to determine what would be the so-called
11 normal rate for the purposes of reimbursement to the
12 railways. So, the difference between \$11.20 and
13 \$14.74 would be the amount the Canadian National
14 Railway would receive under the Maritime Freight
15 Rates Act.

16 MR. FRAWLEY: The rates shown in the agreed
17 charge is \$11.20?

18 MR. MATHESON: That is right.

19 MR. FRAWLEY: And you get the difference
20 from the Minister of Finance up to \$14.74?

21 MR. MATHESON: That is correct.

22 MR. FRAWLEY: Is this your agreed charge?

23 MR. MATHESON: That is our agreed charge.

24 MR. FRAWLEY: Why don't you publish \$14.74?

25 MR. MATHESON: \$14.74 -- the railways would
26 not get the business.

27 MR. FRAWLEY: Why don't you publish \$14.74?
28 You only pay part of it, but why should not it be
29 shown?

30 MR. MATHESON: Why show it in the tariff when



1
2 it doesn't mean a thing as far as the shipper is
3 concerned.

4 MR. FRAWLEY: Well, that is what the
5 railways are getting.

6 MR. MATHESON: It would only confuse the
7 matter. I can anticipate in our company a lot of
8 these bills coming in for correction, and it would be
9 a tremendous job. It is even bad enough now.

10 MR. FRAWLEY: Well, it may be better to
11 let the rest of the world be confused, but it took me
12 about three telephone calls to my good friends in the
13 Canadian National Railways to tell me what the rate
14 was. They had to do a real calculation to come up
15 with the right rate.

16 MR. MACDOUGALL: It shows you how hard the
17 Canadian freight rate structure is to understand.

18 MR. SINCLAIR: The Maritim~~ers~~ understand it.
19 The Albertans may not, but why they should be interested,
20 I don't know.

21 MR. MATHESON: Well, Mr. Frawley, I get
22 confused myself.

23 On the 30 per cent level of reduction under
24 the Maritime Freight Rates Act the railway receives
25 a reimbursement of approximately 354 cents per long
26 ton. The amount to be covered in this case, by special
27 legislation superimposed upon the Maritime Freight
28 Rates Act, to recompense the carriers for their
29 revenue requirements based on the existing normal rate
30 would be but eleven cents.



1
2 By the application of the existing commodity
3 rate difference, from Sydney to Toronto over Montreal,
4 the resultant rate would be determined as follows,
5 and I go on and point out the Montreal base at \$11.09
6 plus the current commodity difference of \$3.81, and
7 I come up with \$14.90 per long ton compared with
8 \$20.38 as of July 31st, 1959.

9 The rates on steel from Sydney, Nova Scotia
10 to western Canada are currently constructed by
11 arbitraries over the Montreal-Toronto-Windsor rate
12 group and Dosco is not herein proposing any changes
13 in the recognized arbitrary structure. In the absence
14 of making any proposal it necessarily must follow
15 that Dosco must stand opposed to any proposal that
16 would worsen, in any way, its competitive position
17 in the western market confronted as it is now with
18 intense foreign competition.

19
20 CONCLUSIONS

21 The limited and scattered markets in the
22 Maritimes and the uncertainties, restrictions and
23 vicissitudes of foreign trade dictate that for
24 industries to develop and expand in the area, an
25 outlet must be found in the larger markets of
26 Canada. To be able to do this transportation costs,
27 both relatively and absolutely, must be maintained
28 at a level to make an outlet possible. This implies
29 that the facilitating rate structure must also be made
30 flexible and subject to periodical adjustment.



1
2 If one could state with certainty that
3 competitive influences on the rate structure have
4 become more or less stabilized then such periodical
5 adjustments would only be required in connection with
6 general rate changes as may be authorized from time
7 to time by the Board of Transport Commissioners but,
8 in any event, not less than every three years - unless
9 some outstanding alteration is made or development takes
10 place that could conceivably have detrimental
11 consequences - if adjustments were not effected.

12 In so far as the Maritimes are concerned,
13 perhaps at no time since the years 1925 and 1926 has
14 the full significance of the impact of the trans-
15 portation changes that have been taking place during
16 the last thirty years been brought more forcefully to
17 the fore. The reason for this is that one can now see
18 the effects of the changes in a broader perspective.

19 In a recent economic study prepared by a
20 well known firm of consultants (Arthur D. Little, Inc.)
21 for the Nova Scotia government, the following
22 conclusions were reached on Dosco's Sydney operations.

23 "Our analysis of Dosco's position in
24 the steel industry indicates that Dosco
25 must expand beyond the present product
26 line"

27 "Steel manufacturing costs are about
28 the same in Sydney and in a new mill close
29 to major markets. However, because of
30 freight charges in delivering flat-rolled



1
2 products to market, the mill logically
3 would be located close to the market."

4 "We anticipate that Sydney, with
5 proper government support, will be
6 expanded to its optimum economic level."

7 "To permit expansion of existing
8 facilities at Sydney and to keep them
9 operating as long as possible the
10 government of Nova Scotia should continue
11 its fight to reduce freight rates which
12 now seriously penalize Dosco in relation
13 to its competition."

14 It is submitted that these conclusions
15 succinctly set forth the situation facing Maritime
16 industries dependent upon the larger markets of Canada.
17 The required remedy may vary in degree contingent upon
18 the nature of the commodity, that is, whether it is
19 relatively of high value, bulky or otherwise.

20 The plan of rate assistance that Dosco urges
21 is directed to off-setting freight rates charges "which
22 now seriously penalize (it) in relation to its
23 competition". In seeking "not in excess of rate
24 parity" with Hamilton at Montreal Dosco is merely
25 reaching out to the fringe of the major steel market
26 (Quebec and Ontario account for 82 per cent of the
27 current steel consumption. Ontario consumes 59 per
28 cent and Quebec 23 per cent.) in Canada with such
29 surcharges in rates to points in central Canada beyond
30 that are obtainable from today's rate structure.



1
2 In the case of one large Maritime industry,
3 it has been indicated that it would require assistance
4 equivalent to 100 per cent of the "select territory"
5 portion of the through rates in order for its Maritime
6 plant to remain competitive. Obviously, Dosco also
7 needs the equivalent of this 100 per cent assistance
8 to make it truly competitive in the whole of central
9 Canada. However, as a very minimum, it must have
10 at least parity at Montreal with its principal
11 competitors located in the Hamilton area. It is
12 hoped that the Commission in its considerations will
13 be able to evolve an appropriate plan with acceptable
14 results.

15 Whatever form assistance may take Dosco
16 submits that it should be clearly identified with the
17 transportation factor as a matter of public policy.
18 In this connection Dosco's approach to alleviating its
19 handicap, however, is predicated upon the historical
20 purposes behind the Maritime Freight Rates Act and
21 in striking at proposed rates for destinations beyond
22 Montreal the existing rate structure was also invoked.

23 The question has been raised whether freight
24 rate assistance should also be extended to other modes
25 of transport serving the Maritime area and thus maintain
26 competitive relationships. The proposition may be
27 fraught with difficulties and possible administrative
28 problems. However, time has not permitted a thorough
29 investigation of the question and, as a consequence,
30 Dosco is constrained from expressing its views thereon



1 at this time. Be that as it may, Dosco reiterates
2 that it is opposed to the regulation of water transport
3 between the Maritimes and other parts of Canada.
4

5 Reference to coal rates has been purposely
6 excluded from this presentation since problems
7 relating to the coal industry are currently under
8 investigation by another Commission. However, Dosco
9 does wish to point out that had "hold downs" in
10 increases been applied to steel rates as had been
11 done in the rates on coal Dosco would have been in
12 a better relative position than it has been.

13 Incidentally, the authorized increases in coal rates
14 from April 7th, 1948 to July 31st, 1959 have totalled
15 \$1.40 per short or long ton whereas in contrast
16 the actual increase in the rates on wire rods from
17 Sydney, N.S. to Montreal, Que. and Toronto, Ont in
18 the same period amounted to \$5.72 and \$8.06 per long
19 ton respectively.

20 In closing, we appreciate the opportunity to
21 present Dosco's views and proposals. We hope that
22 this submission will be helpful and if there is any
23 further information that the Commission may desire
24 we will be pleased to make it available.

25 THE CHAIRMAN; We will adjourn now until
26 10:00 o'clock tomorrow morning.

27 ---Adjournment.
28
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30

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1974

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

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PART I

INTRODUCTORY

1. The operations of the Dominion Steel and Coal Corporation, Limited at points extending from Wabana on Bell Island, Newfoundland to Walkerville, Ontario, a distance by water of 1840 miles and by rail from St. John's, Newfoundland of 2127 miles, include ore mines at Wabana, limestone mines at Aguathuna, Newfoundland, coal mines in Cape Breton, a steel plant at Sydney, Nova Scotia, steel works and a railway car plant at Trenton, Nova Scotia, coal mines at Thorburn, Nova Scotia, shipyards at Halifax, Nova Scotia, a small fabricating plant at Saint John, New Brunswick, steel fabricating plants at Montreal in Quebec and Etobicoke (Toronto) and Walkerville in Ontario. In addition to the productive effort involved in those operations, the Corporation owns and operates steamships and three railroads.

2. It can readily be seen, from the scattered operational scope and the distance range that freight costs, transportation and problems relating thereto loom very large in importance in the conduct of Dosco's business; and particularly, is this so when it is considered that the Corporation's major works are located in the Atlantic provinces remote from the principal market are in Canada, (i.e., between Montreal and Walkerville) where



1
2 presently about 75 per cent of the steel consumption
3 occurs. Therefore, while the transportation factor
4 is directly or indirectly of considerable importance
5 to the plants of the corporation located in the central
6 provinces, it bulks larger in respect of works in the
7 Atlantic provinces because of the great distances
8 involved to the principal consuming region and
9 because freight costs represent an important element
10 in the complex steel marketing structure. To offset
11 differences in such costs its absorption has evolved
12 as a recognized method of equalizing competition as
13 between producers shipping to a particular point.

14 3. The Atlantic provinces are a relatively
15 small steel consuming area. (In 1959, exclusive of
16 rails and tie plates delivered to the railways at
17 Sydney, N.S. for "On Company Service" in the Maritimes
18 and exclusive of blooms and ingots to Trenton for
19 shipment therefrom to Maritime destinations, only 3.7
20 per cent of the total shipments from Sydney works was
21 for the Maritimes.) Indeed, a substantial portion
22 of the steel outlet in the Atlantic provinces is to
23 Dosco plants at Saint John and Trenton and even a
24 large proportion of the latter's production finds its
25 way into central Canada. All in all, if the Sydney
26 steel plant was entirely dependent upon the market
27 of the Atlantic provinces it could only operate a few
28 weeks each year. Consequently, to obtain a volume
29 to afford economies of scale, most of the production
30 from the Maritime area must be shipped into central



1
2 Canadian and/or the world export field.

3 4. While the Sydney plant is situated
4 close to its coal source and approximately 360 miles
5 from the Wabana ore mines and 180 miles from the
6 limestone quarries at Aguathuna, Newfoundland, those
7 proximities to raw materials do not weigh as
8 advantageously as it would appear in relation to
9 plants located in southern Ontario. The high
10 phosphorous and silica content of the Wabana ore and
11 the fact that Cape Breton coals make poor coke present
12 processing problems. On this aspect, the report on
13 "The Canadian Primary Iron and Steel Industry" prepared
14 for the "Gordon Commission" observed that "Dosco
15 steel making costs may, on balance, be somewhat higher
16 than those of the other producers". (Page 17).

17 5. It has often been stated -- and it is
18 a fact -- that the steel industry located at Sydney
19 has a more advantageous position to export markets
20 compared with other Canadian primary steel producers.
21 However, while, in the past, the export market
22 afforded the Sydney location some advantages the
23 increased competition, which the industry has been
24 confronting from other steel producing countries
25 with their lower living standards, long term export
26 credit terms and other trade policies, has resulted
27 in a continual decrease in the percentage of production
28 that is exported. (Whereas in 1936, for example, 61.05
29 per cent of the steel shipments from Sydney works were
30 to export markets, in 1959, exports only accounted



1
2 for 3.11 per cent of the total quantity.)

3 6. Even within the domestic market it
4 has been difficult, on occasions, to compete with
5 foreign producers and it has resulted either in
6 increased absorptions where marginally possible in
7 order to remain competitive or withdrawal from the
8 market entirely. Dosco's ability to contend with
9 imports is less strong because of transportation
10 differentials that it has to absorb in the first
11 place.

12 7. It is also a well-known fact that
13 Canada can exert only a very limited influence over
14 world trade policies and the steel industry in the
15 Maritimes has already experienced adjustments and
16 curtailments stemming from severe competition in the
17 export field. What was a relative advantage, some
18 years ago, in shipping to world markets no longer
19 obtains and, indeed, in some respects has become a
20 disadvantage when compared with other primary
21 producers who can maintain their operations at a
22 satisfactory level by disposing of their production
23 entirely in the domestic market and realizing thereby
24 a higher dollar return per ton of product than can
25 be obtained in the export field.

26 8. The prime disadvantage of the Sydney
27 industry, therefore, lies in the relatively long
28 distance from that part of Canada constituting the
29 principal steel market area. Steel industries
30 located within that pale have the added advantage



1
2 of being able to effect delivery within hours or a
3 very few days. Moreover, they possess also alternative
4 methods of delivery to a greater degree. Then too,
5 the impact of transport competition has resulted in
6 rate reductions to a much larger extent than
7 obtaining in the fringe area. Concomitant with this
8 the competitive position of the Sydney steel industry
9 has been further aggravated by the horizontal
10 percentage increases in freight rates which have also
11 contributed to upset rate relationships and forced
12 greater absorptions in transportation costs, when
13 that was possible at marginal net returns, in order
14 to obtain access to the principal markets in Canada.
15 These combination of developments have had erosive
16 effects on the movement of Dosco traffic from Sydney
17 works in an expanding economy.

18 9. The need to cater to customers on
19 short notice, the relatively higher costs in shipping
20 finished products from the Maritime area, and the
21 effects of motor truck competition on the freight
22 rate structure in the central provinces all
23 contributed in forcing Dosco to establish finishing
24 plants within central Canada. Those plants use
25 primary steel produced at Sydney but the semi-
26 finished steel used by the finishing plants must
27 bear high transportation costs resulting from the
28 long haul from the Sydney plant.

29 10. In the Corporation's submission to the
30 Gordon Commission it was stated that:



1
2 "the production of finished goods
3 in Nova Scotia for shipment to central
4 and western Canada entails a heavy
5 financial burden, which, viewed in its
6 most favourable light, is a serious
7 handicap and which, if borne too long,
8 might well prove economically disastrous.

9 It would therefore seem that the
10 vital interests of the primary steel
11 industry in Nova Scotia would best be
12 served by having more finishing plants
13 in the large market centres, whence
14 completely manufactured goods can be
15 supplied expeditiously and economically."

16 11. In furtherance of its policy to
17 participate in Canada's expanding market for
18 finished steel, the Corporation announced, some
19 time ago, that a hot and cold sheet and strip mill
20 would be constructed in the vicinity of Montreal.

21 12. Presently, Dosco has no facilities
22 for the production of flat rolled products, which
23 comprise about 50 per cent of the current steel
24 market. Slab steel for this mill would be
25 produced at Sydney. But the movement of this semi-
26 finished product to the proposed new works, as in
27 the case of billets, blooms and wire rods to the
28 Montreal Works, involves a transportation cost
29 that would be eliminated if a fully integrated
30 steel operation was established in the Montreal area.



1
2 13. A recent locational study, prepared
3 by Arthur D. Little Inc. for the Nova Scotia
4 government, on the economics of a flat rolling mill
5 at Sydney vis-a-vis the Montreal area found, among
6 other things, that 'because of freight rates in
7 delivering flat-rolled products to market, the mill
8 logically would be located close to the market.'

9 14. The stark reality of the situation
10 is that there has evolved a worsened competitive
11 position for Dosco's Maritime Works as a result of
12 changing conditions and circumstances involving:

- 13 a) An ambivalence of increasing
14 transportation costs from the
15 Maritime operations with lesser
16 increases and improved services in
17 the principal market area.
18 b) A less favourable location to service
19 customer requirements.
20 c) A more highly competitive export
21 market for steel products.

22 15. The extent to which an industry can
23 absorb increasing differences in transportation costs,
24 provide warehouse facilities and inventories at the
25 principal markets as well as other alternative
26 measures to hold a part of the Canadian steel
27 market, has its limitations if it is to enjoy the
28 economies of scale associated with expansion.

29 16. But for the Maritime Freight Rates
30 Act the situation would have been relatively worse.



1
2 Indeed, if it were not for the Act, it is very
3 questionable if the Maritime steel operations would
4 have been able to carry on at all and certainly not
5 at the present scale; - unless in the process the
6 increasing level of rail rates would have made
7 water transportation more attractive - as it has already
8 done in several instances during the last few years -
9 and is likely to do again if rates are further
10 increased.

11 17. In the parts to follow an attempt
12 is made to present in more detail the position of
13 Dosco and its veiws on what is required in order to
14 obviate the existing handicaps. What has been
15 Dosco's experience must also be that of other
16 manufacturing industries requiring markets larger
17 than that offered by the Atlantic provinces in order
18 to be competitive - except perhaps those industries
19 that produce high valued commodities of small bulk
20 where transportation constitutes an insignificant
21 factor.

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PART II

RESUME HISTORICAL ASPECTS

18. Inasmuch as the historical and economic aspects of the transportation problem as it affects the Atlantic provinces, will undoubtedly be fully developed in other submissions to the Commission, it is considered sufficient in this presentation to emphasize only certain aspects thereof in support of Dosco's case.

19. It is implicit in Part I that for the Atlantic provinces to prosper, they must have access to the principal markets of Canada. Because of their location at the fringe of Canada's strip - like - economy, it cannot be stressed too strongly that there is only one way for their industries to go to reach the large domestic markets beyond. Localities at or near the centre, have the advantage of trading in diverse directions and possess economic potentialities by being adjacent to areas of vast natural resources.

20. To obtain access to markets in the other parts of Canada has posed a problem for the Atlantic area since Confederation. Because of distance, a competitive handicap has existed to the extent that the cost of transportation to the highly competitive markets of Canada is generally higher and the transit time relatively longer than from the more adjacent sources of supply. The rate



disadvantage, in effect, may be considered as a cost of production which can be obviated, in part of "in toto" by;

- 1) Quality production and efficiency.
- 2) Sacrifice of labour and/or capital.
- 3) Public aid in the form of protection in the case of imports.
- 4) Reduced or assisted transportation charges directed to an extension of what would otherwise be a purely limited and uneconomic local market.

21. It is Dosco's submission that the Report of the Royal Commission of Maritime Claims (1926) - the so called 'Duncan Commission' - and the Maritime Freight Rates Act (1927), which gave statutory recognition to that Commission's findings and constituted a declaration of policy on the peculiar freight rate situation applicable to the territory, should form the basis or starting point for the consideration of the transportation problems that have arisen since that time with but one reservation; - cognizance still has to be taken of the fact that there still remained imbedded in the rate structure the effects of World War I horizontal increases.

22. The Act had the intended effect of correcting partially the relative freight rate situation which had been destroyed in "commercializing" the Intercolonial Railway segment of the Canadian



1
2 National Railways, by freight rate revisions and
3 horizontal percentage rate increases between the
4 years 1912 and 1927. It re-established partly the
5 policy inherent in the construction and operation
6 of the Intercolonial Railway - a policy which
7 recognized that;

- 8 a) Strategic considerations resulted
9 in a railroad longer than necessary.
10 b) "Commercial considerations were
11 subordinated to national, imperial
12 and strategic considerations."
13 c) The Intercolonial was intended
14 "To afford Maritime merchants,
15 traders and manufacturers the markets
16 of the whole Canadian people instead
17 of the restricted markets of the
18 Maritimes themselves."
19 d) The cost of the railway
20 "should be borne by the Dominion and
21 not by the traffic" (Preamble to
22 the Maritime Freight Rates Act (1927))
23 on the line. (Underlining inserted).

24 23. In order to re-establish this policy
25 in the form of a "broad measuring" commensurate with
26 the conditions and circumstances existing at that
27 time, the Maritime Freight Rates Act provides that:

- 28 a) The rates on the lines of the Canadian
29 National Railways located from the
30



1
2 Seaboard to Diamond Junction and
3 Levis, Quebec, designated as "Eastern
4 Lines", are required to be reduced
5 by approximately 20 per cent.

6 b) "Approximately 20 per cent" reduction
7 is to apply on the "Eastern Lines"
8 proportion of the through rates from
9 points in the area described as the
10 "Select Territory" to points outside
11 (increased to 30 per cent effective
12 July 1st, 1957) and on export traffic
13 from points in the "Select Territory"
14 to ocean ports in that territory.

15 c) The reductions are not to apply on:

16 i) All-rail movements to or from the
17 United States.


18 ii) Eastbound traffic from points west of
19 Levis and Diamond Junction.

20 iii) Import traffic.

21 iv) Export traffic from points outside
22 the "Select Territory".

23 v) Passenger and express movements.

24 24. In recommending the "broad measuring"
25 that was subsequently enacted, the Duncan Commission
26 was careful to point out that:

27  The relief was not intended to
28 offset the detailed claims then
29 before the Railway Commission except,
30 in effect, those that would be



1
2 rectified by its recommendations.

3 b) The matter of increasing rates by
4 horizontal percentages "in view
5 of the importance of railway rates
6 to long distance and heavy traffic",
7 should be taken into fresh consideration
8 by the Railway Commission. The
9 report on the incidence of horizontal
10 percentage increases, reads in part
11 at pages 26 and 27 of the report as
12 follows:-

13 "There is one further very important
14 feature of the railway situation, as
15 it affects the Maritimes, which calls
16 for special mention. In one sense it
17 is connected with the problems that
18 we have been discussing, but its
19 immediate incidence is not so inter-
20 connected with the general problem
21 as to make it impossible to deal
22 with it separately. Indeed the
23 reaction of the burden which it
24 imposes is so great that, in our
25 view, it should be dealt with as a
26 special problem. We refer to the
27 system under which, during the late
28 war, flat percentage increases
29 (known as "horizontal increases") were
30 added to railway rates.".....



1
2 "By the mere operation of railway
3 increases - and having no relation
4 to any other business considerations -
5 the burden which a ~~Trenton~~ (Nova
6 Scotia) plant has to meet now as
7 compared with a Hamilton plant is
8 much greater in money than it was
9 formerly.".....

10 "In view of the importance of
11 railway rates to long-distance and
12 heavy traffic, we have no hesitation
13 in recommending that the matter should
14 be taken into fresh consideration by
15 the Railway Commission, that they
16 should be relieved from the necessity
17 of regarding themselves as bound by
18 any such declaration as is referred to,
19 but should be free to consider the
20 whole question on its merits.".....

21
22 25. It is apparent from the Duncan
23 Commission's Report that the immediate measure
24 recommended was intended as a partial remedy only.
25 There was left for further consideration other
26 matters including the impact of horizontal percentage
27 increases on long distance and heavy traffic that
28 could possibly be rectified within the regulatory
29 framework. Indeed, almost from the time that the
30 Maritime Freight Rates Act came into being, the



1
2 previously destroyed relationship resulting from
3 "World War I" increases were accentuated by rate
4 reductions outside the territory arising from the
5 advent of increased motor truck competition. It is
6 doubtful that the Duncan Commission in its investigation
7 had realized the full significance of the competitive
8 situation that subsequently developed, nor, for that
9 matter, did the framers of the Maritime Freight Rates
10 Act.

11 26. The changing transportation conditions
12 as it relates to Dosco's relatively increased freight
13 cost handicap from its Maritime operations, may be
14 divided into two periods: - the first from about 1930
15 to 1939, when the inroads of competition of other means
16 of transport, particularly the motor truck, resulted
17 in rate reductions and improved services in the central
18 part of Canada and the second or post-war period
19 from 1946 to the present, when concomitant with the
20 continued effects of competition in central Canada on
21 the one hand, rates were subject to authorized horizontal
22 percentage increases, on the other, amounting up to
23 about 157 per cent as of December 1st, 1958 and
24 rolled back temporarily to 142 per cent as of August
25 1st, 1959 under the Freight Rates Reduction Act. (1959).

26 27. The change in the percentage reduction
27 on the "Select Territory" proportion of through rates
28 from the Atlantic provinces and part of Quebec that
29 was established on July 1st, 1957 at 30 per cent
30 instead of 20 per cent under the Maritime Freight Rates



1
2 Act, helped to ameliorate the impact of the authorized
3 increases. Meanwhile, perforce of the repeated
4 increases since April 8th, 1948 the cumulative rail
5 rate levels have been reaching the point where water
6 transport, even allowing for conveniences inherent
7 in rail transport, was becoming more and more
8 competitive. In fact, in 1959, even despite the roll-
9 back effected on August 1st of that year, it had
10 become manifest that recourse would have to be
11 had to water movement in order to alleviate the
12 erosive effects of a combination of horizontal rail
13 rate increases from the Sydney works and rate
14 reductions from transportation competition in the
15 central region.

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PART III

THE IMPACT OF HORIZONTAL PERCENTAGE INCREASES

28. Dosco has repeatedly emphasized before the Board of Transport Commissioners and various Royal Commissions that horizontal percentage rate increases were worsening its steel competitive position in the principal markets of Canada and while the plea has been given sympathetic considerations no alternative has emerged to give the required alleviation on the grounds that no other method was practicable if the railways were to meet their revenue needs.

29. From time to time, various exceptions to horizontal percentage increases had been proposed including modified percentage increases subject to maxima as a means to lessen the effects on Dosco's long haul steel traffic. In support of Dosco's case, references were also made, from time to time, to exceptions made by the U.S. Interstate Commerce Commission in general revenue cases.

30. Although some relief has resulted from the increased reduction in the "Select Territory" proportion of through rates and from the "Roll-back" from an increase of 17 per cent to 10 per cent under the Freight Rates Reduction Act, the absolute increases in differentials from Sydney, N.S. vis-a-vis Hamilton, Ontario to points in the principal consuming area of Canada remain relatively substantial.



31. In appendix 5 it is shown that the differential on billets, blooms and wire rods from Sydney, N.S. to Montreal, Quebec vis-a-vis Hamilton to Montreal as of August 1st, 1959 stood at \$4.87 during the summer months and \$1.92 during the winter months compared with \$1.30 on July 1st, 1927 the date the Maritime Freight Rates Act became operative and resulted in offsetting partly the spread in rates that emerged from the commercializing of the Intercolonial. However, pursuant to negotiated rates effected on December 14, 1959, the differentials on those commodities were reduced to \$4.41 during the summer and \$1.46 during the winter. To Toronto, the rail rate differential on wire rods Sydney vis-a-vis Hamilton on June 30, 1927 stood at \$4.90 per gross ton whereas on July 1st, 1927, pursuant to the Maritime Freight Rates Act, it was \$4.10. As of April 7, 1948, the differential had risen to \$4.20 whereas today it is \$9.15. In March, 1959, the truck rate on steel products Hamilton to Toronto was \$2.464 per g.t. and today it stands at about \$2.688 per g.t. As a consequence the actual freight differential Sydney vis-a-vis Hamilton is about \$10.35 per g.t.

32. Appendices 2 and 3 detail the increased differentials to specified destinations that have evolved since April 7, 1948 and Appendices 4 and 5 set forth further data showing a cross section of the changes that have taken place to the detriment relatively of Sydney Works. There are a number of



1
2 destinations included in the appendices to which
3 Sydney once shipped certain finished steel products.
4 Today, those markets are uneconomic because of the
5 freight rate increases that have been effected from
6 time to time. Some are now served from the finishing
7 plants located in the area but increased transportation
8 costs are also involved in transporting the semi-
9 finished steel for processing.

10 33. In Dosco's fiscal year ending July
11 31, 1959, the total transportation costs in respect
12 of traffic originating in or destined to the Maritimes
13 involving Dosco and Dominion Coal Company's Maritime
14 Operations, but exclusive of freight costs in the
15 delivered prices of materials purchased and materials
16 sold F.O.B. plant, amounted to over \$16,000,000.00.

17 34. From Sydney Works alone the outbound
18 rail freight cost incurred by Dosco amounted to about
19 3.2 millions. Since steel shipments to destinations
20 in the Maritimes are sold generally F.O.B. plant,
21 about all of this rail freight bill was incurred in
22 respect of steel movement to stations outside of the
23 "Select Territory." (West of Levis and Diamond, Que.)
24 Out of this amount, approximately \$1,861,269.00 or about
25 59 per cent has to be absorbed to meet the competition
26 of the principal steel producers in the central area.
27 If one were to assume there was an integrated steel
28 plant at Montreal, the absorption per ton of billets
29 would then be in the order of the cost of freighting
30 from Sydney. Today, rail costs on billets, blooms



1
2 and wire rods from Sydney to Montreal is \$8.96 per
3 g.t. If the outlet for those products in the Montreal
4 market amounted to 200,000 g.t. per annum, the absorption
5 for the Sydney Works compared with a steel plant in
6 Montreal would amount to almost 1.8 million dollars.
7 Those illustrations should be sufficient without
8 further minutiae of date to show that because of freight
9 costs the selling value of products at Sydney Works is
10 forced to a relatively lower level than more favourably
11 located plants serving the principal markets of
12 Canada.

13 35. In appendix 9 there is set forth the
14 principal statistics of the primary iron and steel
15 industry for Canada, Nova Scotia and Ontario for the
16 years 1950 to 1958. An analysis of this date, subject
17 to whatever qualifications such statistical material
18 may require, will show that the selling values
19 obtaining for primary iron and steel at plants in
20 Nova Scotia are comparatively low when the sum of
21 raw materials, cost of electricity and fuel, wages
22 and salaries are related to such values.

23 36. It cannot be gainsaid, therefore, that
24 the necessity of absorbing differences in transportation
25 costs to the principal markets constitute a predominant
26 factor in depressing the returns to various types
27 of industries in the Atlantic area and as a consequence
28 has unfortunately placed a limit on development and
29 expansion.

30 37. In the evolvment of the rail rate



1
2 structure applicable within and from and to the
3 Atlantic provinces, cognizance, more or less, has had
4 to be taken of water competition. It is possible,
5 however, that from time to time the pervasiveness of
6 cheap water transport as an alternative to land
7 carriage has not always been fully appreciated.
8 Indeed, it is this influence that accounts mainly
9 for the extensive rate groups associated with the
10 region's rail rate structure.

11 38. Montreal is 740 miles by water from
12 Sydney compared with 931 rail miles. New cargo vessels
13 capable of fifteen knots and more per hour can
14 navigate the distance in 45 to 55 hours, allowing for
15 reduced river speeds. Even some of the slower
16 colliers in the trade in 1959 have only taken 66 hours
17 to ply the distance. The fast freight schedule from
18 Sydney to Montreal is presently 53 hours compared with
19 79 hours and 45 minutes before the Canso Causeway was
20 opened on May 14, 1955 but this is not the plant to
21 plant time since cars have to be moved to and from
22 terminal yards and oftentimes delays occur in
23 switching.

24 39. True, vessels take time to load and
25 discharge, also cargoes have to be assembled and
26 substantial tonnages require storage and result in
27 larger inventories but there is a line of demarcation
28 beyond which increasing rail costs dictate a re-
29 assessment of the advantages and disadvantages of each
30 transport media.



1
2 40. Indicative of the effects of the
3 horizontal percentage rail rate increases on steel
4 rates from Sydney, N.S. Dosco found it advantageous
5 to ship two cargoes of steel by water to its Montreal
6 Works in 1959. This was not a new undertaking. In
7 years past, it has found it advantageous to ship
8 steel directly by water as far as the head of the
9 lakes. Moreover, it is a customary practice for
10 Dosco to ship steel by water to Vancouver, B.C. via
11 the Panama Canal.

12 41. Studies undertaken by Dosco during
13 the last two years have shown that the St. Lawrence
14 Seaway would enable it to lessen the impact of
15 horizontal increases to some interior markets, but
16 the Seaway has also facilitated steel importation at
17 lower laid down costs in vessels other than those of
18 Canadian or Commonwealth registry.

19 42. Water transport between ports in the
20 Atlantic provinces and Canadian ports on the Great
21 Lakes - St. Lawrence waterway is not subject to
22 regulations under the Transport Act and since this
23 alternative means to facilitate the movement of goods
24 from the Maritimes is mentioned it should be stressed
25 before the Commission that Dosco must of necessity
26 stand opposed to any regulatory measure that would
27 have the effect of worsening any more its competitive
28 posture already seriously handicapped by distance.

29 43. While water transport offers an
30 alternative means to move steel products during the



1
2 season of navigation and while it also can exert a
3 temporizing influence over further horizontal percentage
4 increases, yet, the fact remains - absorptions are
5 none the less necessary to equalize the disadvantages
6 which the increases have aggravated.

7
8 PART IV

9 THE CARRIERS AS PART OF DOSCO'S PRODUCTION LINE

10 44. The establishment and acquisition of
11 finishing plants in the central provinces has made
12 the carriers part of Dosco's production line for the
13 movement of primary and other steel products from the
14 Sydney works.

15 45. When it is considered that Montreal
16 and Toronto are 931 and 1263 rail miles from Sydney,
17 one can realize the importance that attaches to
18 transportation and the need for fast, regular and
19 reliable services.

20 46. Moreover, in addition to increased
21 rate differences in the ~~long~~ hauls there are
22 inventory expenses including interest while products
23 are in transit.

24 47. Faster transit times and also increased
25 co-operation and improved liaison between the railways
26 and Dosco have resulted in better handling and
27 scheduling of coal and steel. Because of the distances,
28 the operation is, of course, more vulnerable to delays
29 arising from adverse weather and the incidence of
30



1
2 other retarding conditions such as run-offs.

3 48. In the period August 1, 1958 to July
4 31, 1959, 85 per cent of the shipments from Dosco's
5 Maritime plants were by rail, 13 per cent by water
6 and but 2 per cent by truck. This relatively
7 high percentage by rail vis-a-vis trucks emphasizes
8 the degree to which Dosco has been dependent upon the
9 railway.

10 49. The truck shipments from Dosco's
11 Maritime plants are intra-territorial. Trucks have been
12 non-competitive in the transport of steel from
13 Sydney, N.S. to central Canada. Basically, the
14 Maritime Freight Rates Act is not the deterrent in
15 that connection. The non-competitiveness is largely
16 accounted for by the littoral topography of the
17 Atlantic provinces which in turn has had its impact
18 on the rate structure in the incidence of large
19 rate groups stemming from the influences of water
20 competition. Then, again, steel lends itself to
21 heavier loading per car unit than possible by
22 truck and this also has a bearing on the resultant
23 rates in the long haul.

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PART V

COMMERCIAL CONSIDERATIONS INVOLVING RAILWAY
COSTS SUBORDINATE TO THE GENERATING OF
MARITIME TRADE

51. In evidence submitted before the Royal Commission on Transportation - 1949, it was indicated by the Canadian National Railways that on balance the Atlantic region is in the category of a light density operation. Since that time, it would not appear that there has been any material change to alter that classification except that the inclusion of the Newfoundland Railway would tend to lower the average density factor.

52. It is axiomatic that the lower the density on a line the greater the allocation of constant expenses to the per ton mile cost of moving traffic.

53. The Atlantic region railway operations are also beset with increased costs owing to relatively high gradients and sharper curvatures on not only branch lines but also on segments of the main line. Take, for example, from Sydney, N.S. to Moncton, N.B., the diesels classed as MR-16 operating out of Sydney, N.S. can only handle per unit 1500 tons from Sydney to Havre Boucher, N.S.; 1300 tons from Havre Boucher to Truro, N.S.; 1650 tons from Truro to Moncton, N.B.; in contrast to 2100 tons from Moncton, N.B. over the so-called National Transcontinental line of the Canadian National Railways.



1
2 54. The Intercolonial Railway system
3 proper in 1889 operated 1564 miles of railroad.
4 From 1889 to March 31, 1919, the absorption of
5 other railroads in the territory increased the
6 mileage to 2206. From 1919 to 1931 the Canadian
7 National Railways Company took over in Atlantic
8 region 552.42 miles of railroads that were in
9 difficult financial straits.

10 55. By the terms of Confederation with
11 Newfoundland the railway on that island was also
12 added to the Canadian National Railways' regional
13 operations. Subsequently, the Temiscouta Railway
14 from Edmundston, N.B., to Riviere du Loup, Que.,
15 was absorbed.

16 56. When it is considered that in the
17 period 1929 to 1934 inclusive the group of small
18 railroads, consisting of the Quebec Oriental Railway
19 and the Quebec and Western, the Inverness Railway,
20 Kent Northern and the St. John and Quebec railways,
21 had an average annual income deficit of \$1,130,340 -
22 some conception can be obtained of the additional
23 costs imposed upon the regional operations in
24 furtherance of the underlying public policy to
25 promote national integration.

26 57. To the extent that the costs of
27 railroad operations in the Maritimes are increased
28 by the characteristics of the roadbed and to the
29 extent that such costs are increased either directly
30 or indirectly as a result of the acquisition of very



1
2 light density lines, then to that extent are the costs
3 of moving intra and inter-regional traffic increased
4 and consequently the higher the "cost" rates would be
5 as compared with operational regions possessing
6 roadbeds of better operational standards, and enjoying
7 high traffic densities per mile.

8 58. Two of the most significant findings
9 of the Royal Commission on Maritime claims in 1926
10 respecting the purposes behind the construction of the
11 Intercolonial Railway were:

12 "To afford to Maritime merchants,
13 traders and manufacturers a market of
14 several millions of people instead of their
15 being restricted to the small and scattered
16 populations of the Maritimes themselves"
17 and

18 "That to the extent that commercial
19 considerations were subordinate to national,
20 imperial and strategic considerations, the
21 cost would be borne by the Dominion and
22 not by the traffic that might pass over the
23 line."

24 59. These findings recognized as they are
25 by statute through the preamble of the original Maritime
26 Freight Rates Act constitutes as forceful a directive
27 today as it did then. Moreover, no more opposite
28 statement could be made in support of this position
29 than that made by the Royal Commission to Inquire into
30 Railways and Transportation in Canada (1932) when it



1
2 said (at pages 76 and 77) of its Report:

3 "So if today the Intercolonial - (sic) -
4 seems to present many of the aspects of
5 commercial failure, it should be remembered
6 that its economic defects are to a great
7 extent inseparable from an origin that had
8 its roots, and remain rooted, in the broader
9 considerations of public policy".

10 60. A priori increased costs per ton or
11 car mile of traffic -

12 a) in part emerging from the acquisitions
13 of unprofitable railroads and low
14 traffic density conditions and

15 b) in part attributable to more expensive
16 lines, in terms of the size of trains
17 hauled per unit of power

18 should not be charges against any traffic within nor
19 from the area. The cost of such a policy should not
20 only be determined for what it is in the interests
21 of the country as a whole but should also be allowed
22 for in the rate structure of the area in any new
23 approach to its transportation problems.
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PART VI

CARRIER COSTS VIS-A-VIS NEEDS OF MARITIME
INDUSTRIES

61. Today, it is evident that where the alternative transport services constitute possible substitutes the cost of service is becoming a more utilized basis of rate making. Concurrently, value of service in the competitive sphere has become more a case of the measure of value of one type of service being the cost of the nearest substitute or, as put by one transport economist "the cost of service by the form making the rate sets the lower level of the rate, while the cost of performing the service by another method sets the upper limit."

62. Outside the influence of competition the old concept of value of service is still operative but with restrictive effects on the development of traffic. The horizontal rate increases where they have been applied and maintained constitute a value of service measure in the more familiar sense of the term.

63. Dosco submits that rate increases instead of being applied horizontally should have been implemented selectively in order to maintain as nearly as reasonably possible the "discrimination between" that had existed in relation to the Maritime area.

64. Perhaps in some respects "selectivity" in applying rate increases would be antithetical to



1
2 the National Policy of Rate equalization as enunciated
3 in Section 336 of the Railway Act. Yet, except for
4 limiting rate equalization to class rates as the
5 ceiling of the rate structure and in respect of some
6 commodity scales where otherwise there would exist
7 relative unreasonableness, there is no need for
8 stereotyping rail rates in the face of the competitive
9 conditions obtaining and the increasing use of costs
10 in rate making as exemplified by the growing number
11 of Agreed Charges.

12 65. In effect there has been compelled
13 selectivity in rate making brought about by competitive
14 forces whereas traffic less vulnerable to that field
15 of influence has been subjected to a greater measure
16 of increases. This is borne out by an analysis
17 of the Board's waybill studies which shows that
18 horizontal increases were applied more effectively
19 in respect of traffic between the Maritimes and
20 central Canada and between central and western Canada.

21 66. Selectivity in prescribing rate increases
22 is not a new approach and one finds that the United
23 States Interstate Commerce Commission has applied it
24 to some degree in several general revenue cases. In
25 United States Ex Parte case 212, the Commission
26 authorized a small nominal basic increase with a
27 comparatively extensive range of exceptions and
28 limitations.

29 67. It is the restrictive effects of the
30 means to an end involved in a series of horizontal



1
2 increases that, in the long run, defeat the end
3 itself.

4 68. It cannot be refuted that the
5 horizontal increases in rates on steel from the Maritime
6 area did have a restrictive effect on the expansion
7 of the industry in that area. That there has been
8 some expansion emerges in part from efforts directed
9 to obviating the full impact of the rate changes.
10 But there is a limitation to what can be done in that
11 direction.

12 69. In 1926, the ingot capacity of the
13 steel operations at the Sydneys amounted to 593,000 short
14 tons whereas at present it is 930,000 short tons or
15 an increase of about 57 per cent. In the same period
16 of time, the combined ingot capacity of the two large
17 steel plants at Hamilton, Ontario increased from an
18 ingot capacity of 470,000 short tons to 3,500,000 or an
19 increase of about 645 per cent.

20 70. To help remedy the adverse effects of
21 changed conditions and circumstances Dosco believes
22 that it can best be achieved by subordinating distance
23 on a "selective" approach directed to offsetting the
24 impact of the horizontal increases.

25 71. There may be various ways to do this
26 and what may be applicable in one case may not be in
27 another. It is realized too that any cut back must
28 take into account the carriers' revenue requirements
29 on which the horizontal increases were predicated.

30 72. In the next part, there is outlined



1
2 Dosco's proposal of a remedy to obviate the
3 handicap of distance and assist in affording it, as a
4 manufacturer in the Maritime area, the opportunity to
5 participate to a greater extent than it has in the
6 development of Canada.

7
8
9 PART VII

10 THE "SELECTIVE" METHOD AS APPLIED TO STEEL RATES

11 73. Since the end result of changes in
12 rates, as they affect Dosco's Sydney Works, has been
13 caused not only by horizontal increases but also by
14 lesser increases to competitors in central Canada, it
15 is submitted that the combination of causes in
16 disrupting rate relationships should be taken into
17 consideration in any approach to a cut back in the
18 prevailing rates.

19 74. In this approach, Montreal is taken
20 as a keypoint. This is not a new departure since
21 Montreal has always been the nucleus of the rate
22 structure between the Maritimes on the one hand and
23 central and western Canada on the other. Indeed, if
24 it were not for the existence of the Grand Trunk
25 Railway between Levis and Montreal at the time the
26 Intercolonial was extended to Levis, it is quite
27 possible that instead of resorting to "running rights"
28 the "Confederation" railway would have been
29 extended to Montreal.

30 75. In any event, the existing rate



1
2 structure between the Maritimes and stations west of
3 Montreal is predicated on arbitrariness over the rates
4 from and to Montreal. This structure has been
5 repeatedly recognized by the Board of Transport
6 Commissioners. (See for example - XII J.O.R. & R. p.
7 61 @ pp. 68, 69. XLII J.O.R. & R. No. 18A @ p. 8).

8 76. By taking Montreal, Que. as a keypoint,
9 Dosco's proposition is not to pay a net rate in excess
10 of rate parity with Hamilton at Montreal, Que. What
11 is hereinafter proposed is not without substantive
12 foundation. Improved vessel units and handling
13 techniques geared to the traffic volume offer
14 attractive potentialities. Indeed, even now, taking the
15 type of steel originating at Sydney, water transport
16 has been quite persuasive on balance in relation to the
17 rail rates being suggested as a base.

18 77. To determine the rate to apply from
19 Sydney, N.S. the first step is to take a weighted
20 average of the increase in rates from Hamilton,
21 Ontario to Montreal, Quebec from June 30th, 1927 (before
22 the effective date of the Maritime Freight Rates Act)
23 to July 31st, 1959 (before the rates were rolled back
24 temporarily by the Freight Rates Reduction Act) and adopt
25 the result as the maximum increase. To do this the
26 rates in effect on Billets, Blooms and Wire Rods, for
27 example, from April 15 to November 30, 1959 and from
28 December 1st to April 14, 1959, is intended to cover the
29 periods December 1st to December 31st, 1959 and
30 January 1st to April 14th, 1959, from Hamilton to



1 Montreal, were weighted by the volume of steel moved
2 from Sydney to Montreal in that period. (Incidentally,
3 there is only about 1 per cent difference if, instead
4 of using actual traffic figures, a calendar basis were
5 used). The various steps in striking at the proposed
6 rates follows:

7 Billets, Blooms & Wire Rods

8 Rates in cents per ton of 2240 lbs.

9 From Hamilton, Ont. to Montreal, Que.

	<u>June 30/27</u>	<u>July 31/59</u>	<u>Increase</u>
11 Competitive Rate	-	455	155
12 Commodity Rate	300	798	498

13 Weighted rate as on July 31, 1959 - 589

14 This then would be the cost of freighting Billets,
15 Blooms and Wire Rods from Sydney, N.S. to Montreal,
16 Que. This is the rate Dosco should have if it is not
17 to be handicapped. The weighted increase from

18 Hamilton to Montreal, in this case, amounts to 289
19 per ton. On the other hand the rates from Sydney,
20 N.S. to Montreal, Que. on Billets, Blooms and Wire
21 Rods (exclusive of Maritime Freight Rates Act
22 reimbursement to the Railways) were on the same dates
23 as follows:

	<u>June 30/27</u>	<u>July 31/59</u>	<u>Increase</u>
25 Competitive or			
26 Agreed charge	510	1179*	669
27 Commodity	510	1318	808

28 * This is the approximate "normal" rate predicated on
29
30



1
2 the Agreed Charge rate of 896 cents per long ton
3 established on December 14, 1959 for purposes of
4 reimbursement to the railways under the Maritime
5 Freight Rates Act.

6 The comparison of increases bespeaks the
7 disparate consequences of the changes which have
8 taken place during the years indicated. If one were
9 to go back to 1916, before the Eastern Rates Case, the
10 resulting rate divergence would be even more severe.
11 If a mathematical basis is adopted for Dosco's
12 proposition of rate "parity" with Hamilton at Montreal
13 it can be determined approximately as follows:

14	June 30/27 rate Sydney to Montreal	510
15	Plus Weighted Increase	<u>289</u>
16	Total rate without application of Maritime Freight Rates Act	799

17
18 By applying the 30 per cent reduction for the "Select
19 Territory" proportion of the through rate one then
20 obtains a rate of 607 cents per long ton compared with
21 the "parity" weighted rate of 589 cents or a
22 difference of 18 cents which is reasonably close
23 allowing for adjustments in traffic flow.

24 However, since the railways current revenue
25 under A.C. 887 is about 1179 cents there would be
26 required for reimbursement to the carrier the
27 difference between 1179 cents and 589 cents or 590
28 cents. Since the Act at the 30 per cent level would
29 reimburse the railways to the extent of 283 cents
30 there then would be required a further amount of 307



cents per long ton. This amount then would be covered by special legislation superimposed upon the Maritime Freight Rates Act in order to recompense the carriers for their revenue requirements based on the existing "normal" rate.

78. The question arises what about the rates on Billets, Blooms and Wire Rods, for example, to points beyond Montreal? Dosco proffers in that connection that the differences that applied on Billets, Blooms and Wire Rods as on July 31, 1959 over Montreal to points beyond be added to the Montreal base rate. As a result the following rates would obtain:

Sydney, N.S. to Brockville, Ont.

Montreal base	589
---------------	-----

Difference	<u>81</u>
------------	-----------

670 compared with 1083 on
July 31, 1959

Sydney, N.S. to Kingston, Ont.

Montreal base	589
---------------	-----

Difference	<u>110</u>
------------	------------

699 compared with 1112 on
July 31, 1959

Sydney, N.S. to Belleville, Ont.

Montreal base	589
---------------	-----

Difference	<u>329</u>
------------	------------

918 compared with 1331 on
July 31, 1959.



Sydney, N.S. to Tronto, Ont.

Montreal base 589

Difference 384

973 compared with 1386 on
July 31, 1959.

79. In the case of Bars the Hamilton to
Montreal weighted rate is determined as subjoined:-

Bars

Rates in cents per ton of 2240 lbs.

From Hamilton, Ont. to Montreal, Que.

	<u>June 30/27</u>	<u>July 31/59</u>	<u>Increase</u>
Competitive rate	-	S 1075	392
		W 1165	482
Commodity Rate (June 30/27)	683		
Weighted rate as on July 31, 1959	-	1109	
Rate as on June 30, 1927	-	<u>683</u>	
		426	

S - Summer W - Winter

The rate to apply from Sydney to Montreal
should therefore not exceed 1109 cents per long ton.

The approximate "normal" rate for the
current agreed charge rate of 1120 cents per long ton
is approximately 1474 cents.

On the 30 per cent level of reduction under
the Maritime Freight rates Act the railway receives
a reimbursement of approximately 354 cents per long
ton. The amount to be covered in this case, by
special legislation superimposed upon the Maritime
Freight Rates Act, to recompense the carrier for their



1
2 revenue requirements based on the existing "normal"
3 rate would be but 11 cents.

4 By the application of the existing commodity
5 rate difference, from Sydney to Toronto over Montreal,
6 the resultant rate would be determined as follows:

7 Montreal base	1109 per long ton
8 Plus current	
9 commodity	
10 difference	<u>381</u>
	1490 per long ton
	compared with 2038
	cents as on July
	31, 1959.

12
13 80. The rates on steel from Sydney, N.S.
14 to western Canada are currently constructed by
15 arbitraries over the "Montreal - Toronto - Windsor"
16 rate group and Dosco is not herein proposing any
17 changes in the recognized arbitrary structure. In the
18 absence of making any proposal it necessarily must
19 follow that Dosco must stand opposed to any proposal
20 that would worsen, in any way, its competitive position
21 in the western market confronted as it is now with
22 intense foreign competition.
23
24
25
26
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30



PART VIII

CONCLUSIONS

81. The limited and scattered markets in the Maritimes and the uncertainties, restrictions and vicissitudes of foreign trade dictate that for industries to develop and expand in the area, an outlet must be found in the larger markets of Canada. To be able to do this transportation costs, both relatively and absolutely, must be maintained at a level to make an outlet possible. This implies that the facilitating rate structure must also be made flexible and subject to periodical adjustment.

82. If one could state with certainty that competitive influences on the rate structure have become more or less stabilized then such periodical adjustments would only be required in connection with general rate changes as may be authorized from time to time by the Board of Transport Commissioners but, in any event, not less than every three years - unless some outstanding alteration is made or development takes place that could conceivably have detrimental consequences - if adjustments were not effected.

83. In so far as the Maritimes are concerned, perhaps at no time since the years 1925 and 1926 has the full significance of the impact of the transportation changes that have been taking place during the last thirty years been brought more forcefully



1
2 to the fore. The reason for this is that one can now
3 see the effects of the changes in a broader
4 perspective.

5 84. In a recent economic study prepared
6 by a well known firm of consultants (Arthur D. Little,
7 Inc.) for the Nova Scotia government, the following
8 conclusions were reached on Dosco's Sydney operations.

9 "Our analysis of Dosco's position
10 in the steel industry indicates that Dosco
11 must expand beyond the present product
12 line".

13 "Steel manufacturing costs are about
14 the same in Sydney and in a new mill close
15 to major markets. However, because of
16 freight charges in delivering flat-rolled
17 products to market, the mill logically
18 would be located close to the market."

19 "We anticipate that Sydney, with
20 proper government support, will be
21 expanded to its optimum economic level."

22 "To permit expansion of existing
23 facilities at Sydney and to keep them
24 operating as long as possible the
25 government of Nova Scotia should continue
26 its fight to reduce freight rates which
27 now seriously penalize Dosco in relation
28 to its competition."

29 85. It is submitted that these conclusions
30 succinctly set forth the situation facing Maritime



1
2 industries dependent upon the larger markets of
3 Canada. The required remedy may vary in degree
4 contingent upon the nature of the commodity, that is,
5 whether it is relatively of high value, bulky or
6 otherwise.

7 86. The plan of rate assistance that
8 Dosco urges is directed to off-setting freight
9 rate charges "which now seriously penalize (it)
10 ("it" inserted) in relation to its competition". In
11 seeking "not in excess of rate parity" with Hamilton
12 at Montreal Dosco is merely reaching out to the
13 fringe of the major steel market (Quebec and Ontario
14 account for 82 per cent of the current steel
15 consumption. Ontario consumes 59 per cent and Quebec
16 23 per cent. See footnote page 2 for the small
17 percentage of total shipments from the Sydney Works to
18 Maritime destinations.) in Canada with such
19 surcharges in rates to points in central Canada
20 beyond that are obtainable from today's rate
21 structure.

22 87. In the case of one large Maritime
23 industry, it has been indicated that it would require
24 assistance equivalent to 100 per cent of the "select
25 territory" portion of the through rates in order for
26 its Maritime plant to remain competitive. Obviously,
27 Dosco also needs the equivalent of this 100 per cent
28 assistance to make it truly competitive in the whole
29 of central Canada. However, as a very minimum, it
30 must have at least parity at Montreal with its



1
2 principal competitors located in the Hamilton area.
3 It is hoped that the Commission in its considerations
4 will be able to evolve an appropriate plan with
5 acceptable results.

6 88. Whatever form assistance may take
7 Dosco submits that it should be clearly identified
8 with the transportation factor as a matter of public
9 policy. In this connection Dosco's approach to
10 alleviating its handicap, however, is predicated upon
11 the historical purposes behind the Maritime Freight
12 Rates Act and in striking at proposed rates for
13 destinations beyond Montreal the existing rate
14 structure was also invoked.

15 89. The question has been raised whether
16 freight rate assistance should also be extended to
17 other modes of transport serving the Maritime area
18 and thus maintain competitive relationships. The
19 proposition may be fraught with difficulties and
20 possible administrative problems. However, time has
21 not permitted a thorough investigation of the
22 question and, as a consequence, Dosco is constrained
23 from expressing its views thereon at this time. Be
24 that as it may, Dosco reiterates that it is opposed
25 to the regulation of water transport between the
26 Maritimes and other parts of Canada.

27 90. Reference to coal rates has been
28 purposely excluded from this presentation since
29 problems relating to the coal industry are currently
30 under investigation by another Commission. However,



1
2 Dosco does wish to point out that had "hold downs"
3 in increases been applied to steel rates as had been
4 done in the rates on coal Dosco would have been in a
5 better relative position than it has been. Incidentally ,
6 the authorized increases in coal rates from April
7 7, 1948 to July 31, 1959 have totalled \$1.40 per
8 short or long ton whereas in contrast the actual
9 increase in the rates on wire rods from Sydney, N.S.
10 to Montreal, Que. and Toronto, Ont. in the same
11 period amounted to \$5.72 and \$8.06 per long ton
12 respectively.

13 In closing, we appreciate the opportunity
14 to present Dosco's views and proposals. We hope that
15 this submission will be helpful and if there is any
16 further information that the Commission may desire we
17 will be pleased to make it available.
18
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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.

86

DATE

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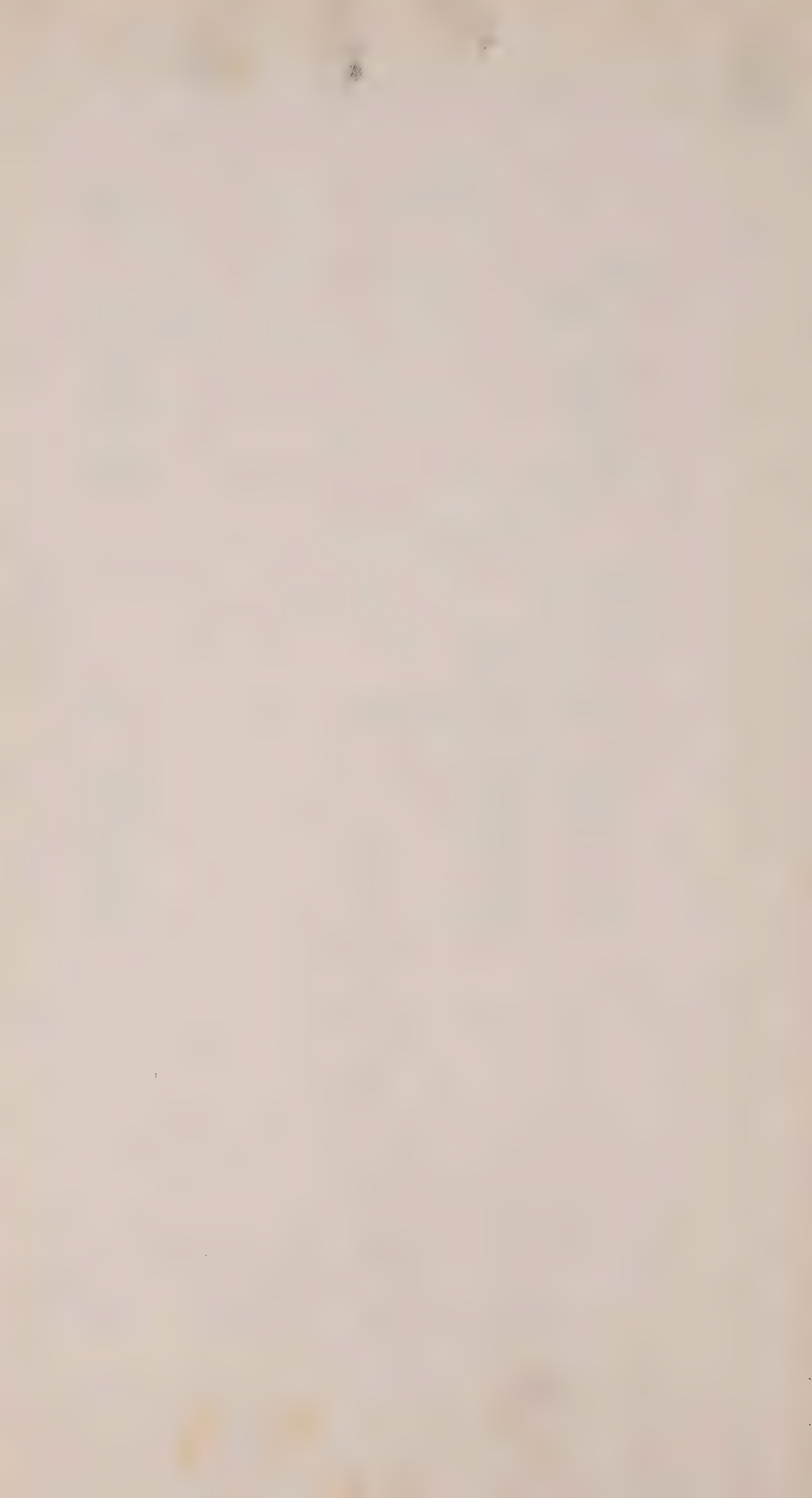
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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Trans-
port Commissioners Offices,
Ottawa, Ontario, on the 15th
day of September, 1960.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. M. Anscomb	Member
Mr. A. M. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

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Mr. A. G. Cooper, Q.C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser
Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Ottawa, Ontario,
Thursday,
September 15, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please. Mr. Cooper?

MR. COOPER: Mr. Chairman, I believe that
Mr. Frawley has a motion to speak to.

THE CHAIRMAN: Oh, yes. Mr. Frawley?

MR. FRAWLEY: Mr. Chairman, I propose to
open the application, but my friends Mr. Mauro, Mr.
Carter, Mr. Smith and Mr. Brazier will speak to the
application, not necessarily in that order, but they
will follow me in my remarks to the Commission.

It is a motion and I think I should read
into the record the formal particulars which I delivered
to my friends Mr. Sinclair and Mr. McDonald a year
or so ago, and as this is being transcribed I think
perhaps I should read it.

We are moving:

"1. For an Order requiring Canadian Pacific
Railway and Canadian National Railways
to furnish the information set out in the
letter of provincial counsel dated June
15, 1960.

"2. In the alternative, for a direction
to the Secretary of the Commission to
supply to counsel for the Provinces as
and when available, any reports, memoranda
or the like received by the Commission or



1
2 otherwise resulting from the study being
3 made by the staff and research consultants
4 attached to the Commission respecting
5 paragraph (d)."

6 I will read paragraph (d) of the Terms of Reference. I
7 am reading from Privy Council Order P.C. 1959-677,
8 dated 13th May, 1959; and, of course, the Commission
9 and everyone concerned are very familiar with the
10 Terms of Reference set out in that Order in Council.
11 I will simply put it to the Commission this way that
12 by that Order in Council the Commission was directed
13 to consider and report upon the various matters in-
14 cluding the following, which was numbered paragraph (d):

15 "Whether and to what extent the Railway
16 Act should specify what assets and earnings
17 of railway companies in businesses and in-
18 vestments other than railways should be
19 taken into account in establishing freight
20 rates."

21 Now, Mr. Chairman, having been instructed to direct
22 ourselves to that paragraph, as well as to other para-
23 graphs in the Terms of Reference, we were instructed,
24 and I can speak best, of course, for myself, to inquire
25 into and prepare and offer submissions to the Commission
26 with respect to that paragraph. I need not say that
27 for many years the question of the non-rail income of
28 the yardstick company, the Canadian Pacific, has been
29 a matter of interest to the provinces in their various
30 appearances before the Board in what have been called



1
2 the revenue cases. Some progress was made in that
3 matter of separating out from other income certain
4 assets and liabilities and to establish a better, as
5 we thought, rule with respect to the treatment of non-
6 rail income for freight rate purposes. And, as you
7 know, the Royal Commission on Transportation in 1951
8 made certain recommendations in that regard. Follow-
9 ing that, legislation was passed; following that, the
10 Board of Transport Commissioners promulgated a uniform
11 classification of accounts for Class I railways, being
12 common carriers of railway and it is
13 quite true that in that classification of accounts cer-
14 tain directions were given to the railways as to what
15 should be included in rail as distinguished from non-
16 rail -- rail being the only matter in which the Board
17 of Transport Commissioners was interested.

18 What I want to call to the attention of the
19 Commission is that notwithstanding the passing of the
20 legislation -- first let me say the report of the Royal
21 Commission in 1951, in February, the enactment
22 of Section 387 of the Railway Act in 1951, and notwith-
23 standing the promulgation of the uniform classification
24 of accounts, we find the Governor General in Council
25 in May of 1959 directing this Commission specifically
26 and setting aside one whole paragraph in the Terms of
27 Reference directing the Commission to investigate
28 and report upon the extent to which the Railway Act
29 should be amended or should specify -- I presume should
30 be amended to specify -- should specify what assets and



1
2 earnings of railway companies in businesses and invest-
3 ments other than railways should be taken into account
4 in establishing freight rates.

5 Now, I have said all that to indicate that
6 there is no short answer to the interest which we take
7 and to the interest which the Commission, I think,
8 should take and will take, I am sure, by simply saying
9 that this matter has all been disposed of. It has not
10 been disposed of, I think, because the Governor General
11 in Council, quite aware of the report of the Turgeon
12 Commission, of the legislation, of the amendment to
13 the Railway Act, and of the action of the Board to
14 classify these accounts; notwithstanding that, in June
15 1959 the Governor General in Council said to this
16 Commission: Please proceed to find what assets and
17 earnings railway companies in businesses and investments
18 other than railways should be taken into account in
19 establishing freight rates.

20 Because of that, I am instructed to inquire
21 into and to retain consultants and to take all steps
22 necessary to present the views of the Province of
23 Alberta to this Commission with respect to what businesses
24 other than rail should be taken into account in fixing
25 freight rates.

26 Now, that being the situation of my instruc-
27 tions, and presumably the state of affairs of other
28 provincial counsel that are here this morning, we
29 directed a communication to the railway companies,
30 being well aware that we had to go to the railways to



1
2 get the necessary information. On the 15th of
3 June, the following letter was dispatched to Mr. I. D.
4 Sinclair, Vice-President and General Counsel of the
5 Canadian Pacific Railway, and that letter was signed
6 by Mr. C. W. Brazier, Counsel for British Columbia,
7 by myself, as Counsel for Alberta, by Mr. W. Gordon
8 Doherty, Counsel at that time for Saskatchewan, and
9 Mr. A. V. Mauro, Counsel for Manitoba, and Mr. Frank B.
10 Smith, Counsel for the Maritimes Transportation Com-
11 mission, representing the provinces of Nova Scotia,
12 New Brunswick, Prince Edward Island and Newfoundland.

13 That letter I think I should read into the
14 record because I am assuming the Commission will want
15 to read the transcript and I thought it well to have all
16 this material before it at the same time.

17 " June 15th, 1960

18 "I. D. Sinclair, Esq.,
19 Vice-President and General Counsel,
20 Canadian Pacific Railway Company,
21 Windsor Station Building,
22 Montreal, 3, P.Q.

23 Dear Sir:

24 Re: Royal Commission on Transportation

25 "Clause (d) of Order in Council P.C.

26 1959-577 reads as follows:

27 ' . . . the Commission shall consider and
28 report upon:

29 '(d) whether, and to what extent, the
30 Railway Act should specify what assets
and earnings of railway companies in
businesses and investments other than



1
2 railways should be taken into account
3 in establishing freight rates.'

4 "To enable consideration to be given
5 to making submissions to the Commission upon the
6 question of non-rail assets and earnings,
7 certain information is required.

8 "Accordingly we request that you have
9 prepared and sent to each of the undersigned
10 a statement showing:

- 11 1. Details of (a) assets and (b) earnings of
12 the Canadian Pacific Railway Company separately
13 in each of the businesses and investments other
14 than railways for each of the years 1945 to 1959
15 inclusive. The gross amount of such investments
16 and the related depreciation reserves should
17 be shown.
- 18 2. The formula used by Canadian Pacific as
19 a basis for the apportionment of fixed charges
20 between 'rail' and 'non-rail'."

21 A letter bearing the same
22 date went to Mr. A. D. McDonald, Q.C., General Solicitor,
23 Canadian National Railways, 360 McGill Street, Montreal,
24 P.Q. I would like that to appear in its proper place
25 in the record.

26 " June 15th, 1960

27 "A. D. McDonald, Esq., Q.C.
28 General Solicitor,
29 Canadian National Railways,
30 360 McGill Street,
Montreal 1, P.Q.



1
2 "Dear Sir:

3 Re: Royal Commission on Transportation

4 "Clause (d) of Order in Council P.C.

5 1959-577 reads as follows:

6 ' . . . the Commission shall consider and
7 report upon:

8 '(d) whether, and to what extent, the
9 Railway Act should specify what assets
10 and earnings of railway companies in
11 businesses and investments other than
12 railways should be taken into account
13 in establishing freight rates.'

14 "To enable consideration to be given
15 to making submissions to the Commission upon
16 the question of non-rail assets and earnings,
17 certain information is required.

18 "Accordingly we request that you have
19 prepared and sent to each of the undersigned a
20 statement showing details of (a) assets, and
21 (b) earnings of Canadian National Railways
22 separately in each of the businesses and
23 investments other than railways for the last
24 fifteen years. The gross amount of the
25 investments and the related depreciation re-
26 serves should be shown."

27 Now, I must read into the record the answer
28 which we received from Mr. Sinclair. I should say
29 at this time that we have not received any answer from
30



1
2 the Canadian National. It may be that Mr. McDonald
3 will make a short statement about that.

4 Now, this is the letter which was sent by Mr.
5 Sinclair to Mr. Brazier and myself, Mr. Doherty, Mr.
6 Mauro and Mr. Smith:

7 Montreal 3,
8 July 18th, 1960,
9 File No. S.F. 370.

10 "TO:

11 C.W. Brazier, Esq., Q.C.

12 W.G. Doherty, Esq.

13 J.J. Frawley, Esq., Q.C.

14 A.V. Mauro, Esq.

15 F.D. Smith, Esq., Q.C.

16 Dear Sirs:

17 Kindly refer to your joint letter to me
18 concerning your request for certain information
19 on the question of non-rail assets and earnings.
20 Request 1.

21 'Details of (a) assets and (b) earnings
22 of the Canadian Pacific Railway Company
23 separately in each of the businesses and
24 investments other than railways for
25 each of the years 1945 to 1959 inclusive.
26 The gross amount of such investments and
27 the related depreciation reserves should
28 be shown.'

29 As you know, the Uniform Classification of
30 Accounts prescribed by the Board of Transport
Commissioners pursuant to the Railway Act determines



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2 items classed as rail and non-rail. The
3 Classification has been in effect since January
4 1, 1956 and Canadian Pacific has prepared its
5 Annual Report to the Board and D.B.S. in conformity
6 with the prescriptions of the Uniform Classifi-
7 cation. Accordingly the Annual Reports for the
8 years 1956 through 1959 show the details per-
9 taining to businesses and investments other
10 than rail for these years. For prior years
11 we have not the material on a uniform basis and
12 I would hope that the four years covered by the
13 Reports, all of which are available to you,
14 would meet your request.

15 Request 2.

16 'The formula used by Canadian Pacific
17 as a basis for the apportionment of
18 fixed charges between rail and
19 non-rail.'

20 "Fixed charges, with the exception of the
21 interest on perpetual 4 per cent consolidated
22 debenture stock, are directly allocated to
23 rail and non-rail. Interest on perpetual 4
24 per cent consolidated debenture stock is
25 apportioned on the ratio of net investment in
26 rail and non-rail. This formula is that used
27 by the Board of Transport Commissioners since
28 its judgment of September 20, 1949 and followed
29 by it in its subsequent judgments. For example,
30 specific reference to the adoption of the formula



1
2 is made by the Board on page 14 of its judgment
3 of March 1, 1950.

4 "I should note that while your request is
5 dated 15th June, for some reason it did not
6 reach this office until last week. It
7 occurred to me that there had possibly been a
8 delay in the mail but another possibility occurred
9 to me being that the delay of pretty near a
10 month from the date of the request to the time
11 received was due to delay in transmittal
12 between the various parties signing it.

13 "Yours truly,

14 "Ian D. Sinclair."

15 Now, I will first address myself to the
16 sufficiency and validity of Mr. Sinclair's answer to
17 Request No. 1. You will observe, Mr. Chairman, that
18 Mr. Sinclair does not say that this is information
19 of a classified character; this is information which
20 we are not entitled to obtain; this is information of
21 a confidential nature; information which will be
22 useful to our competitors. I am cataloguing the
23 various reasons which Mr. Sinclair gave some time
24 ago in connection with a matter which we were almost
25 as vitally interested in, namely the furnishing of
26 costs with respect to other movements than grain.

27 However, Mr. Sinclair does not say anything
28 of those things in this instance. He simply says
29 all of this information is available to you in DBS,
30 and what we have done is in conformity with the



1
2 descriptions of the uniform classification of accounts.

3 I pass over that latter remark because, while
4 it may well be that Canadian Pacific, I am quite sure
5 Canadian Pacific is following very precisely the
6 directions of the classification of accounts, that is
7 no answer to paragraph (d). This Commission must
8 still investigate and it is our respectful submission
9 that we have the duty and therefore the right to make
10 submissions with respect to that. I made some in-
11 quiries of DBS, and I have in my hand here a copy.
12 It is nothing but blank sheets, I can assure the
13 Commission.

14 MR. SINCLAIR: I beg your pardon?

15 MR. FRAWLEY: But this is the form which is
16 used by the Canadian Pacific, and I take it the
17 Canadian National, in making the report to the Board
18 which is referred to in Mr. Sinclair's letter of
19 July 18. This is called the annual report of the
20 (blank) company to the Board of Transport Commissioners
21 and the Dominion Bureau of Statistics, Ottawa, for
22 the year ended December 31, (blank).

23 Now, casting one's eye through this document,
24 and one needs go no further, really, than the index,
25 we find, for example in the matter of highway
26 transport that the information is what one would expect
27 to find, and limited to highway transport (rail);
28 and there follows with respect to that, account of
29 railway transport, balance sheet, expenses, income
30 account, retained earnings and revenues. And, just in



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2 passing, as an illustration, one would find nothing
3 there with respect to the experience of the Canadian
4 Pacific Railway with respect to its subsidiary called
5 Smith Transport, or its subsidiary that I am thinking
6 of in British Columbia, Valley Transport Lines, Island
7 Transport, or whatever it may be on the west coast.
8 That annual report is filed pursuant to the provisions
9 of Section 387, Mr. Chairman, of the Railway Act, and
10 one would not expect to find anything in there with
11 respect to the non-rail investments or assets or
12 earnings of the company.

13 To the extent that I am wrong, I am quite
14 certain my friend Mr. Sinclair will correct me. I
15 would not expect it to be there, because it is a
16 Direction under the Railway Act and it is a Direction
17 which is intended to indicate the position with regard
18 to rail. If there is anything filed by Smith
19 Transport to the Dominion Bureau of Statistics, I
20 do not know about it, and Mr. Sinclair's letter does
21 not direct me where I should find it. But, of course,
22 I take a bolder position with regard to that. I am
23 asking the Commission to direct the Canadian Pacific
24 to supply that information to these provinces, even
25 though it might be there if I sent some competent and
26 instructed person to the Dominion Bureau of Statistics
27 to dig it out. That is my position.

28 I may as well make my position very clear.
29 We are here representing the people of Canada. For
30 myself, I represent the shippers and receivers of



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2 freight in Alberta, and the other gentlemen can speak
3 for themselves. I put it to the Commission that I am
4 here in somewhat a higher position than one ordinarily
5 finds appearing before boards or commissions. We
6 are here because the provincial governments of Canada
7 and in fact all of the shippers and receivers of freight
8 in Canada are before the Board, except the shippers and
9 receivers of freight in the provinces of Quebec and
10 Ontario. Those people made representations to the
11 Commission with regard to special matters, but I am
12 certainly not, in view of the fact I wasn't here; but
13 in view of the fact that Mr. Mauro, Mr. Smith, Mr.
14 Brazier and Mr. Carter are here and have associated
15 themselves in this motion, it is as much their motion
16 as mine.

17 Then, I say we do respect all of the shippers
18 and receivers of freight. We are interested in
19 obtaining the best possible freight rate structure for
20 Canada, and so we say, and we are instructed, in any
21 event, to make representations, not simply to discuss
22 in argument at the end of the piece, without having
23 made any submission; without having put any witnesses
24 in the box with opinions with respect to the classifi-
25 cations of this rail and non-rail; without having
26 looked at any material at all, we are expected to make
27 an argument. Perhaps we are not expected, but we
28 might be permitted to make an argument at the end of
29 the Commission.

30 Now, I say therefore, and I want to say no



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2 more about that; I simply point out that Mr. Sinclair
3 simply takes the position that it is there for us to
4 find. I have informed the Commission and, of course,
5 the Commission -- and I should say this -- is quite
6 free and probably should, and I would respectfully
7 suggest that they do, ask your advisers whether or
8 not by looking at this document which is many, many blank
9 sheets that go into the making up of this report,
10 which is filed under section 387 of the Railway Act;
11 I would suggest and submit that you ask your advisers
12 whether or not the information that we requested of
13 Mr. Sinclair and Mr. McDonald on the 15th of June
14 is available -- all of the information we ask for is
15 available on file in the DBS -- and I am confident
16 you will find it is not.

17 So I ask you to direct the Commission to
18 supply that information, having in mind, (1) that it
19 is not available where Mr. Sinclair said it was. And
20 I say that with all respect to Mr. Sinclair. He
21 certainly was not endeavouring to mislead anyone
22 when he wrote that letter. It was his view that it
23 was available.

24 I take a contrary view and I ask the
25 Commission to check whether it is right or not; whether
26 or not all of the information we ask for is available
27 in the annual report of the DBS.

28 The matter of uniform classification of
29 accounts I put aside, because apparently the Governor
30 General in Council wants you in the face of that to



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tell him what further assets and earnings, if any,
should be put into rail.

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2 In other words, whether The Railway Act
3 should be further amended, whether the Transport
4 Board should be further directed to do some further
5 reclassification, or whether it is left as it is.
6 I simply say that it is no answer to point to the
7 legislation already existing and to what the Transport
8 Board has done.

9 Now, that is the paragraph 1 in the motion
10 which we have placed before the Commission.

11 Now, we have a very important alternative one.
12 With respect to the second part of our motion, I want
13 to make a statement to clarify. As this reads, we are
14 asking for a direction to the secretary of the
15 Commission to supply counsel for the provinces, as
16 and when available, any reports or memoranda
17 or the like received by the Commission or otherwise
18 resulting from the study being made with respect
19 to paragrah (d).

20 Now, the first question that may be asked
21 is: how do we know that the Commission is engaged
22 in any study, either through its staff or research
23 consultants, in respect to paragraph (d). Well, this
24 is the situation in that regard. A copy of the letter
25 we wrote to Mr. Sinclair on the 15th of June which
26 I have read into the record was sent to the secretary
27 of the Commission and a copy - I don't know whether
28 a copy - it may be that provincial counsel also
29 sent to Mr. Anderson, the secretary of the Commission,
30 a copy of Mr. Sinclair's reply. But, in any event, we



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2 did sent to Mr. Anderson a copy of the letter we wrote,
3 and on the 19th of June Mr. Anderson wrote us a letter.
4 The letter is addressed individually to Mr. Frawley,
5 Mr. Mauro, Mr. Brazier, Mr. Carter and Mr. Smith,
6 counsel at that time for the province of Saskatchewan.
7 I understand from my friends that the same letter
8 was written to each of my friends. I will read the
9 letter written to myself.

10 "

August 19, 1960.

11 Mr. J.J. Frawley, Q.C.,
12 Counsel for the Province of Alberta,
13 140 Wellington Street,
Ottawa, Ontario.

14 Dear Mr. Frawley:

15 Your joint letter to the two railways
16 requesting certain information concerning
17 'other assets and income' to enable you to
18 prepare more fully a submission concerning
19 term (d) of the terms of reference of this
20 Commission, together with the replies
21 received to date from Messrs. McDonald and
22 Sinclair, have been put before the Commission
23 at a meeting where progress was reviewed on
24 research investigations being conducted by
25 staff and consultants attached to the
26 Commission, together with an attempt to
27 arrange and organize hearings of submissions
28 still to be heard.

29 I am instructed to inform you that,
30 in view of the very intensive study being made



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2 by research consultants, and the nature and
3 extent of the factual data prepared in
4 conjunction with the railways regarding term
5 (d) the Commission is of the opinion that
6 its task will be more expeditiously concluded
7 if your submissions concentrate on the
8 important problems already known to be under
9 study by you, other than those associated
10 with term of reference (d).

11 It is the expectation of the Commission
12 that you will accept this guidance with the
13 firm assurance that all the facts necessary
14 are, in this particular instance, already
15 under study by the Commission and that
16 there are no further facts remaining to be
17 brought to light. This action is taken
18 with the sole purpose of relieving you of
19 part of the onerous task you have so
20 willingly undertaken to assist the Commission
21 to arrive at recommendations designed to
22 alleviate and remove many of the trans-
23 portation problems already so clearly
24 defined and set before the Commission and
25 those which will yet receive attention in
26 forthcoming submissions.

27 Yours truly,

28 F.W. Anderson
29 Secretary and
30 Director of Research"



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2 THE CHAIRMAN: Mr. Frawley, you know who
3 our advisors are in that connection.

4 MR. FRAWLEY: No; but if you were to ask me
5 to guess I would think that probably Mr. Lionel Kent
6 would be one of them.

7 THE CHAIRMAN: Mr. Kent, and you would agree
8 that he is competent.

9 MR. FRAWLEY: Yes, he is certainly competent.
10 I have retained an equally competent person by the
11 name of Kenneth John Morrison. I think each of them
12 have lived with this freight rate matter for an
13 equal length of time. Mr. Morrison is my consultant
14 in this matter.

15 Several things can be said about this letter.
16 I will simply say this: the Commission might as well
17 just have said to the provinces: "Don't worry about
18 the Crow's Nest rates; we will look after that.
19 Don't concern yourself with horizontal percentage
20 increases; our staff and consultants are
21 making research in regard to that."

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23
24 However, be that as it may, the letter was
25 written in all sincerity. I am not endeavoring for
26 a moment to regard it as anything but a serious
27 expression of the view of the Commission.

28 MR. COOPER: Mr. Chairman, I don't like to
29 interrupt Mr. Frawley, but I would suggest that the
30 letter speaks for itself, and I suggest that Mr.



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2 Frawley need not speculate what might have gone into
3 the letter. The letter is there and it speaks for
4 itself.

5 MR. FRAWLEY: I can only say what I have
6 drawn from the letter, and perhaps that is not too
7 important. It was telling us to not make any
8 submissions and to not concern ourselves any further
9 with paragraph (d) of the terms of reference. Well,
10 unfortunately, that runs counter to my instructions
11 from the province of Alberta, and on that alone it
12 is something to which I would have to give serious
13 consideration. But, in any event, this letter has
14 enabled us to now make an alternative submission
15 to the Commission, and it will probably assist in
16 the desire which I see on all sides of hurrying on
17 and getting the work of the Commission finished.

18 If you made a direction pursuant to
19 paragraph 1 of our motion for the Canadian Pacific
20 and the Canadian National to prepare this information
21 as we have requested it, it might take a good deal
22 of time and that might cause delay. If, as a matter
23 of fact, the Commission is engaged in gathering up
24 the same information we sought from the Canadian
25 Pacific and Canadian National, then that information
26 will be quite sufficient for our purposes, because
27 we think that it will embrace - I am assuming that
28 a thorough job is being done by Mr. Kent and it
29 will embrace all the information we are asking for
30 under (d) in the letter of 15th June, and I ask if



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2 the Commission will make available to us, as and when
3 it is received, the information that you have
4 gathered, the data, the material, the statements of
5 assets and of earnings. And there I want to say
6 that we are certainly not asking, and we haven't the
7 slightest right to receive at all, any report,
8 any recommendation that was contained in any such
9 report from your consultant, Mr. Kent, as to what Mr.
10 Kent recommended for the Commission's consideration
11 as to what changes there should be, and it hardly
12 needs to be said that we are not asking for that at
13 all. We are simply asking for whatever data,
14 whatever material of the kind listed in our letter
15 that Mr. Kent has gathered up for the information
16 of the Commission. If that is released to us, that,
17 I feel, certainly will be sufficient for our
18 purposes and will enable us to proceed to make the
19 submissions we are instructed to make.

20 COMMISSIONER MANN: Mr. Frawley, I wonder
21 if you may assist me in getting this clear in my
22 mind. Supposing that the material given by
23 Canadian Pacific to Mr. Kent was given to him on the
24 understanding that it was not to go beyond the
25 Commission, your application would still embrace
26 such material, would it?

27 MR. FRAWLEY: Oh, yes, indeed, sir. The
28 only thing I am excluding is if Mr. Kent said we
29 recommend such and such and this should be added.
30 As to what extent you have received the material



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2 which we are asking Mr. Sinclair and Mr. McDonald
3 to supply to us - and it is only four or five lines
4 and it may be as well to read it to you.

5 "1. Details of (a) assets and (b)
6 earnings of the Canadian Pacific Railway
7 Company separately in each of the
8 businesses and investments other than
9 railways for each of the years 1945 to
10 1959 inclusive. The gross amount of
11 such investments and the related
12 depreciation reserves should be shown."

13 And,

14 "2. ---

15 THE CHAIRMAN: If we grant what you request
16 and set a precedent for commissions in that regard,
17 do you think future commissions could get advisors?

18 MR. FRAWLEY: If that were done?

19 THE CHAIRMAN: Yes?

20 MR. FRAWLEY: Oh, I think it would present
21 no problem at all. The Canadian Pacific Railway
22 Company is a creature of Parliament; you are set
23 up by the Governor General-in-Council, and there is
24 no question of your jurisdiction to obtain this
25 information.

26 THE CHAIRMAN: Oh, none.

27 MR. FRAWLEY: There isn't a word in Mr.
28 Sinclair's letter of 18th July saying: "We have
29 this information, but you are not going to get it
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2 unless ~~the~~ Commission forces us."

3 That is not what he says at all.

4 Let's make the position of the province of
5 Alberta clear. We are asking the Commission to request
6 the Canadian Pacific Railway Company to reply to
7 paragraph 1 of our letter of 15th June, but we are
8 prepared, even without seeing it, to certainly explore
9 thoroughly and sincerely that information that is
10 or is to be contained in Mr. Kent's report and which
11 we think would give us the same information we
12 requested.

13 I have nothing further to add, in view of
14 the fact that each of my friends want to address the
15 Commission. I simply say: give us the statements,
16 data, material, everything but the gentleman's
17 recommendations to the Commission with respect to
18 paragraph (d).

19 COMMISSION MANN: You said to explore
20 thoroughly the material which is or might be contained
21 in Mr. Kent's report. Does that mean if you find
22 this information is not sufficient you would go on
23 asking for more?

24 MR. FRAWLEY: I have to just answer this:
25 supposing that we find Mr. Kent's, for example, report
26 or that the statements along with his report, the
27 material he sends shows nothing at all about Smith
28 Transport, for example, then I would have to come
29 to the Commission and say: "I am sorry, we find
30 this very serious omission and now we want you to make



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2 a direction." Does that answer your question?

3 COMMISSIONER MANN: Yes. I wanted to see
4 just how far and where your alternative went.

5 THE CHAIRMAN: Any other submissions?

6 MR. BRAZIER: Mr. Chairman, I must rise to
7 add my support to Mr. Frawley's motion, which he has
8 covered most ably in his usual manner.

9 You, sir, have raised the question of the
10 ability of future commissions to get advisors, their
11 reports. I think Mr. Frawley has emphasized the
12 fact that we don't want Mr. Kent's report to the
13 Commission.

14 THE CHAIRMAN: Or information.

15 MR. BRAZIER: No. We want the information
16 that was given to Mr. Kent, as I see it, by the
17 Canadian Pacific from which he may have drawn certain
18 conclusions, and we would like to examine that
19 information and have our own experts report to us,
20 as Mr. Kent is reporting to you, as to the import of
21 the information.

22 Now, Mr. Chairman, I do think that, whether
23 the Canadian Pacific Railway likes it or not, the
24 matter of other income is a matter of public interest
25 in Canada when any Commission is investigating
26 railway transportation. The sources and the impact
27 of other income are so much built into the railway
28 operation of the C.P.R. that they can't avoid having
29 a complete light shed upon their other activities, and
30 it is only if we have the basic information that we are



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2 able to make any submissions to this Commission. We
3 can't deal with the matter at all unless we have
4 some facts upon which to base our submission. We
5 can't just argue, well, income should be taken into
6 consideration in fixing rates because some of it
7 arose out of the sale of land that was given to the
8 railways for the purpose of building. We must have
9 the facts, we must know what the situation is today.
10 That is what this Commission, I presume, is fundamentally
11 interested in: what treatment should that other
12 income receive from 1960 on; and surely the Governor
13 General-in-Council did not intend that this
14 Commission should be shut off from investigating
15 other income or that the provinces should be shut
16 off from investigating other income and its sources
17 merely because the subject is dealt with in present
18 legislation. The mere presence of that clause in
19 the Order-in-Council is a very clear indication
20 that the Governor General-in-Council wanted a full
21 investigation and report on this whole subject.

22 So without any hesitation, we are whole
23 heartedly in support of Mr. Frawley in this motion.

24 MR. MAURO: Mr. Chairman, members of the
25 Commission, I, too, want to join with my learned
26 friends Mr. Frawley and Mr. Brazier in this motion
27 regarding term (d) of the Terms of Reference.

28 I have written the secretary, Mr. Anderson,
29 a letter subsequent to the receipt of Mr. Sinclair's
30 correspondence which has been read into the record,



1 and rather than fill the transcript with information
2 that the Commission has before it, I will simply state
3 that in that letter I advised the Commission that
4 the province of Manitoba was now writing because we
5 didn't want to delay the Commission's work any
6 further and suggesting that, without waiting for the
7 Commission's hearings to begin again in September,
8 an order be issued directing the Canadian Pacific
9 and the Canadian National Railways to deliver the
10 necessary information; and in that letter I also
11 suggested that the purpose was that we did not want
12 to cause any further delay, as the Commission has come
13 to the conclusion and the secretary has advised us
14 that the Commission has undertaken to make this
15 study themselves, they appreciate our interest, and
16 they suggest we should confine ourselves to other
17 pressing problems and they will deal with this one, and
18 I am sure that that will be done as well as their
19 consultants are able to on this matter. But I suggest
20 that there is this duty on counsel for the provinces
21 to make their opinions and their advice and recommendations
22 known to this Commission on each and every phase of
23 the terms of reference, and I suggest that it is
24 most difficult to do a proper job, a meaningful job,
25 without the data which is within the knowledge of
26 the railways; and I say that it would be, in any
27 event, a disservice to both my learned friends of
28 the railways and this Commission if the province of
29 Manitoba were simply to argue for reclassification
30



1 of accounts without first having studied the data
2 available and being able to submit with facts and
3 figures any suggested reclassification. I suggest
4 that any study should not simply be limited to saying:
5 well, let's include all surface transportation; this
6 is one of the arguments. You don't need any further
7 information, Mr. Mauro. Why not just argue on
8 principle? If you need any further information in
9 connection with Smith Transport, coastal steamships,
10 you don't need the data. But I say that the study
11 should go further than that, that the recommendations
12 of the province of Manitoba, if it is going to deal
13 with this problem at all, should deal with the whole
14 matter of the assets of the C.P.R., whatever assets,
15 whatever earnings should be included.
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2 THE CHAIRMAN: Have you any idea how long
3 this would take in this court room?

4 MR. MAURO: How long it would take in this
5 court room?

6 THE CHAIRMAN: Yes, when we are trying to
7 get through.

8 MR. MAURO: Well, I am assuming the study has
9 already been made by your advisers.

10 THE CHAIRMAN: Yes. But, judging by the
11 half-hour talk by Mr. Frawley this morning, it would
12 last some time. How much longer would the time of
13 this Commission be extended if we granted your re-
14 quest?

15 MR. MAURO: I don't really feel, Mr. Chairman,
16 that the work of this Commission would be extended any
17 longer than the Terms of Reference have already set
18 out. I don't know what the time schedule is now.
19 I suggest that the length of time is not going to be
20 extended -- if it is going to be extended a day or a
21 week or two weeks ---

22 THE CHAIRMAN: Well, we are trying our best
23 to get through.

24 MR. MAURO: Yes, and certainly, Mr. Chairman
25 and Commissioners, I am going to do my utmost to assist
26 the Commission in getting through. I think the
27 people across Manitoba are interested in a speedy and
28 proper decision of the Commission. I feel if the
29 information is available and given to us there is no
30 reason why any additional evidence we desire to call



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2 could not be brought forward on a specified date and the
3 matter argued in our conclusion. I certainly feel
4 it would be difficult, if not impossible, for me to
5 argue without the necessary data because I think it
6 would be unfair to the C.P.R., particularly, to start
7 publicity and talk about reclassification with not
8 specifying what assets are going to be reclassified.
9 I think it would tend to impair the C.P.R.'s position
10 in the money market. Loose and irresponsible talk
11 about switching assets without some clear data to
12 support it I think would be a very definite injustice
13 to the C.P.R. For that reason I would be unable and
14 very unwilling to argue clause (d) without having had
15 the benefit of the results of a serious investigation
16 of what assets, if any, are to be reclassified: what
17 would be the effects on the C.P.R. and what would be
18 the effect on the rate schedule. For that reason I
19 support the motion.

20 MR. SMITH: Mr. Chairman and members of
21 the Commission, there is, I submit, no doubt that your
22 Commission is directed to inquire into the matters
23 mentioned in paragraph (d) of the Terms of Reference
24 in the Order in Council. I most respectfully suggest
25 without the information sought we of the provinces
26 are unable to make any intelligent or helpful repre-
27 sentations to your Commission.

28 I, therefore, suggest that it would be most
29 unfortunate that that would be the result.

30 In the circumstances, on behalf of the



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2 governments and other interests which I represent, I
3 must join in and adopt the submissions which have been
4 made by the counsel who have preceded me. I think it
5 is a matter of vital importance. We have over the
6 years, as your Chairman will remember, discussed this
7 topic in and out, but we have never got the information
8 which is necessary to enable us to assist your
9 Commission, and I think this is the time we should
10 get it.

11 MR. CARTER: I have been instructed, Mr.
12 Chairman and members of the Commission, to support the
13 motion on behalf of Saskatchewan. I should like on
14 behalf of the province to associate myself with a
15 point of interpretation of both my learned friends
16 Mr. Frawley and Mr. Brazier, which they spoke to, and
17 that is that Saskatchewan does not interpret this
18 motion as in any way a demand that the Commission should
19 release reports made to it, the Commission, from its
20 expert staff. In other words, my province's position
21 is one in which we essentially want the information from
22 the rail which we requested in the joint letters to the
23 rail which my learned friend Mr. Frawley has dealt with
24 in his submission. Again, however, my point is merely
25 this, that we do not interpret this present motion as
26 going beyond that and asking for material prepared by
27 the Commission's experts by way of report to the Com-
28 mission. That, in our view, would not be proper for us
29 to have. We do, however, urgently require the infor-
30 mation which was earlier requested from the rail.



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2 As to the facts of the matter, my province
3 is in essentially just the same position as Alberta,
4 Manitoba, British Columbia and the maritime provinces.
5 The facts of the situation have already been ably
6 dealt with and I don't propose to dwell upon them.

7 You and your colleagues, Mr. Chairman, will
8 no doubt already be aware that in the submissions
9 which shortly I shall be turning to on behalf of my
10 province we are silent on this head in the Order in
11 Council, and, of course, of necessity we have so
12 far made no submission on it and have nothing to say
13 so far on that head of the Order in Council because
14 we lack the information which we earlier requested.
15 My province is accordingly concerned to decide just
16 what submissions it may make having to do with
17 paragraph (d) of the Order in Council, and for the
18 reasons outlined by my learned friends in their
19 able submissions we take the position that we cannot
20 sensibly decide just what submissions we may wish to
21 make without having the information which we have
22 requested.

23 I should like briefly to refer to the letter
24 from your Secretary which my learned friend Mr. Frawley
25 dealt with. I, for Saskatchewan, received that
26 same letter. The province was somewhat surprised
27 to receive a letter, but having received it may I say
28 that in the event your Commission is pleased, as we
29 hope it will be, to make the Order which is here
30 being asked for, that once my province has the



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2 information from the railways and once it sits down
3 to consider the question of just what submissions it
4 may be interested in making having to do with this
5 part of the inquiry, at that stage your Commission may
6 rest assured that my province will consider the fact
7 and take into account the fact that we have this
8 letter from your Secretary in which certain suggestions
9 are made. We are not going to ignore it, in other
10 words, but we do not feel we are in a position as of
11 now, without the information from the rail, seriously
12 to consider in vacuo, so to speak, the suggestion
13 which your Secretary made in the letter.

14 For these reasons, therefore, with respect
15 I support the motion.

16 MR. HUME: Mr. Chairman, the position of
17 Canadian Trucking Associations, set out in section 11
18 of its brief to the effect that other assets should
19 not be taken into consideration was made clear when
20 presenting our submission and, therefore, I do not
21 take part in this argument at present.

22 THE CHAIRMAN: Are you opposing it?

23 MR. HUME: I am just not taking part one
24 way or the other in view of the submission we have
25 already made.

26 MR. SINCLAIR: Mr. Chairman, members of
27 the Commission, as Mr. Frawley has said this motion
28 was given to us a couple of days ago, and we have
29 considered it, and notwithstanding what Mr. Frawley
30 says I do submit to this Commission two things: first,



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2 that if my friends wish to argue that certain businesses
3 should be rail and certain businesses that are now rail
4 should be non-rail, they can do so, but subsection (d)
5 of the Order in Council does not suggest anything, first,
6 other than whether the Railway Act should specify the
7 assets, and the Order in Council in its last clause
8 says that it is not the work of this Commission to
9 deal with matters that are within the jurisdiction of
10 the Board. My point, therefore, is it is a question
11 as to whether the Railway Act should specify the
12 assets and earnings that are rail and non-rail, and
13 that is my first point. Secondly -- and that it is
14 not within the jurisdiction of this Commission to do
15 the work of the Board of Transport Commissioners,
16 and the work of the Board of Transport Commissioners is,
17 under the Railway Act, section 387, to delineate what
18 assets and what earnings are rail and what are not
19 through their prescription of the uniform classification
20 of accounts, and I have reference to subsection (1) of
21 that section of the Act.

22 However, in any event, assuming that is
23 not the ground -- and I can quite understand the
24 Commission would maybe not wish to deal with this matter
25 on any narrow technical ground -- and so I do not rest
26 on the narrow and technical ground I have just spoken
27 of.

28 MR. SMITH: You admit it is narrow and
29 technical?

30 MR. SINCLAIR: I admit an interpretation of



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2 the Order in Council and the jurisdiction of the
3 Commission necessarily has to be technical, and my
4 friend seems to think you can interpret things in
5 a broad way. You can interpret them in a strict
6 way, and that is what I say we are doing.

7 COMMISSIONER MANN: Mr. Sinclair, I am having
8 a little difficulty with something you said a moment
9 ago. You said the instructions to this Commission
10 in its terms of reference were to recommend whether
11 or not the Railway Act should specify what assets,
12 if any should be taken into account.

13 MR. SINCLAIR: Yes.

14 COMMISSIONER MANN: At the same time you say
15 that the terms of reference also bar this Commission
16 from dealing with matters under the jurisdiction of
17 the Board of Transport Commissioners. Well, if this
18 Commission found that certain assets should be speci-
19 fied in the Railway Act wouldn't it interfere with the
20 work of the Board of Transport Commissioners? Do
21 we have a contradictory argument there?

22 MR. SINCLAIR: I don't think so at all, sir.
23 It says the scope of this Commission shall not extend
24 to the performance of functions which, under the Railway
25 Act, are under the exclusive jurisdiction of the Board.
26 I am sorry if I didn't make my point clear -- I am sure
27 it was my fault -- but my point is that the separation
28 between rail and non-rail is, of course, a function
29 within the exclusive jurisdiction of the Board, and
30 necessarily falls from a prescription of classification



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2 and accounting prescription. Of course, it is for
3 the Commission to decide whether they want to deal
4 with this motion on that ground or not. I wish to
5 make it clear that I put it to the Commission as a
6 ground, and I have indicated that this has been the
7 position of Canadian Pacific right from away back over
8 a year ago when I first addressed this Commission on
9 this same subject.

10 My second point is this, that notwithstanding
11 Mr. Frawley's views or Mr. Mauro's views on behalf of
12 their clients, or the people supporting them, it is
13 not necessary, in my respectful submission, to have
14 the information they require to make the arguments
15 that they have said they wish to make on behalf of
16 their clients. The reason I say that is this: if
17 they had certain of the information they asked for
18 they would know which non-rail assets were profitable
19 and which were not. Surely, the insatiable appetite
20 of Mr. Frawley and his cohorts is not going to depend ---

21 MR. SMITH: I object to being called a
22 cohort.

23 MR. SINCLAIR: Collaborator, then.

24 MR. FRAWLEY: Oh, I am just a cohort.

25 MR. SINCLAIR: . . . and his collaborators
26 are not going to depend on whether they are profitable
27 or not. Surely, his insatiable appetite is not going
28 to be concerned as to one thing, if it is profitable,
29 put that in, and if it is not profitable, put it out.
30 Is that what he wants the information for? I suggest



1
2 that is what he wants it for, and I suggest the
3 Commission is not interested in that kind of an
4 approach.

5 Thirdly, while it may be a surprise to
6 Mr. Frawley -- and he may only have the blank sheets--
7 if he had gone over to the Dominion Bureau of Statistics
8 or to the Board he would have found the filled in sheets
9 and either he or his very competent advisers would
10 have been able to read the balance sheet which
11 designates -- and it is Schedule 4 in here -- which
12 designates for each classification what are rail
13 and what are non-rail, and it also in the balance
14 sheet gives the information as to what of the
15 supporting schedules contain the details. It sets
16 out the investments in affiliated companies, non-
17 rail, included in accounts 706NR, which is account
18 706 of the uniform classification account designating
19 investments in affiliated companies which are not
20 in rail accounts. They are set out here and I
21 will read them off.

22 MR. FRAWLEY: What schedule are you reading
23 from?

24 MR. SINCLAIR: 6A.

25 COMMISSIONER MANN: Do you have the filled
26 in sheets or the blanks?

27 MR. FRAWLEY: I have the blanks.

28 MR. SINCLAIR: Of course, the blanks will
29 not assist him because if he has only looked at the
30 blanks, then I can understand why he has made the



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2 motion, but I wonder if my friend has actually seen
3 what information is supplied. If he has not, obvious-
4 ly I can understand why he is in difficulties. Would
5 my friend be good enough to state whether he has actual-
6 ly looked at these documents and considered them
7 before he made this motion?

8 MR. FRAWLEY: No. I have been reliably
9 informed that the report made under Section 387 of the
10 Railway Act for which I have the blank sheets does
11 not and will not give to me the information set out
12 in my Question No. 1, and that particularly -- and I
13 am only using it as an illustration -- particularly
14 the sheets, if they were filled up with every line,
15 would tell me nothing at all about the operations of
16 Smith Transport.

17 THE CHAIRMAN: Well, we will take a break
18 now.

19
20 ---Short recess.
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2 THE CHAIRMAN: Order, please.

3 MR. SINCLAIR: The point I was making was
4 did my friend before he made this motion really know
5 what information was available, and I say had he
6 looked at the filled-in reports -- his answer was that he
7 was reliably informed. Now, by whom I suppose doesn't
8 matter; but I have here the report for 1958 and
9 investments in affiliated companies show the name
10 of the company -- for example, reading the first three:

11 "Minneapolis St. Paul and Sault Ste.

12 Marie Railroad Company, general mortgage
13 income bond and common stock; the Nova
14 Scotia Cold Storage Company Limited,
15 preference stock, ordinary stock; the
16 Public Markets Limited capital stock."

17 And it goes on listing the names of the
18 companies under these schedules. I just picked those
19 three off from sheet 2 of Schedule 6-A. For each
20 of the companies it shows the extent of control as
21 a percentage. For instance, in the Soo Line, 50.53;
22 for the New Brunswick Cold Storage, 100; and for
23 the Public Markets Limited, 50.

24 It then shows the total par value of the
25 investment in the company at the end of the year.
26 For example, in the general mortgage income bond,
27 the Soo Line, 3,333,000; and common stock, 16,223,511.

28 It then shows for each company the total book
29 value. For example, in the Soo Line, in the common
30 stock the book value is the par value. But, for the



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2 mortgage bonds, the book value is less than the par
3 value.

4 It then shows for investments made during
5 the year: For example, the Soo Line with the Canadian
6 Pacific in this year, 1958, had purchased \$1,135.00
7 of common stock; that being the par value and also
8 the book value as is shown here.

9 It then shows, for instance, for each of
10 these companies, again using the Soo Line as an example,
11 the investments disposed of or written down by
12 Canadian Pacific during the year.

13 Then, it shows the dividends or interest
14 during the year as an amount or a percent. For
15 instance, on the general mortgage income bonds of the
16 Soo Line, 4 per cent. It shows the currency, U.S.
17 In the common stock, it shows a dividend of 50 cents
18 payable in U.S. funds. And then it shows the amount
19 credited by Canadian Pacific to other investments.

20 Now, it does that for each of these companies
21 in which Canadian Pacific has an interest.

22 THE CHAIRMAN: It shows earnings in each case?

23 MR. SINCLAIR: It shows the amount that the
24 directors of these various companies declare as
25 dividends and the amount credited in the accounts.

26 COMMISSIONER ANSCOMB: And all that is
27 available to every counsel, Mr. Sinclair?

28 MR. SINCLAIR: Yes, sir.

29 Now, those were affiliated companies. It
30 also shows in another schedule, being schedule 7, other



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2 investments, for instance, that the corporation has,
3 that are carried as non-rail.

4 In in 1958, it shows whether the investments
5 were pledged, unpledged, the total par value, the book
6 value, investments made during the year, changes in
7 investments, dividends, interest and amounts credited.

8 And, for instance, it shows the Admiral
9 Beatty Hotel, which is known to some people here --
10 it shows what the company's investments in that were
11 and how much they received from them.

12 It also shows, for instance, that the
13 company has an interest in the Canadian Arena Company.
14 It has some preference stock. It shows the amount.
15 It shows, for instance, that in this 1958 the company
16 had purchased -- pardon me -- had, prior to 1958,
17 an investment in the Marconi Company which they
18 bought for \$13,000.00 and which they sold that year
19 for \$38,000.00 odd.

20 Now, it also shows that, for instance, it
21 had disposed of certain government of Canada bonds
22 in the year at a slight profit.

23 It also shows dispositions of trust funds.
24 It, for instance, shows that Canadian Pacific had
25 an investment in Netherlands government bonds.

26 It shows, for instance, that it had some
27 shareholdings in Provincial Transport, in H. Smith
28 Transport, the amount and what happened and what
29 was received.

30 And then it has two small items that do not



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2 give information. They are merely carried here as
3 special investment No. 2: \$200,000; the other items
4 having a book value of less than \$1,000.00, amounting
5 to \$76,000.00.

6 And so, as I say, there is a great deal of
7 information in here.

8 In another schedule, it shows, for instance --

9 MR. FRAWLEY: What number is that?

10 MR. SINCLAIR: 8-A. It shows investments
11 in steamships; whether they are on the Great Lakes
12 or whether they are ocean. It shows the earnings
13 from additions and from retirements, and the balance
14 at the end of the year. It shows the interests in
15 hotel and other properties and unsold land and
16 properties in these various things; these companies.
17 For instance, a company known as Meadowbrook Development,
18 it shows that it bought certain assets, sold certain
19 assets, and there is the information.

20 Now, possibly, my friend, Mr. Frawley, would
21 be confused. He wouldn't know what the New Brunswick
22 Cold Storage Company really was. But if he wanted
23 to say that he didn't know what it was -- I have picked
24 one that I am sure he wouldn't ask about because the
25 name tells you what it is.

26 MR. FRAWLEY: The Alberta Stock Yards.

27 MR. SINCLAIR: The Alberta Stock Yards, and
28 the interest of Canadian Pacific in that. They speak
29 for themselves. But if there are ones in there that
30 he doesn't know, well he could quite easily ask and



1 we would be pleased to tell him.
2

3 If he wants to know, for instance, about
4 the Admiral Beatty Hotel; if he doesn't know where it
5 is, we will tell him where it is. But I am quite sure
6 the group would be able to tell him.

7 My point is this. This information in that
8 detail is available for each of the years 1956, 1957,
9 1958 and, I am instructed, 1959. Now, Mr. Frawley
10 has asked to go back to 1945 and in the letter to him
11 I said, well, we haven't got it on a uniform basis.
12 This, of course, would be a big job to do. I am
13 hoping that the years 1956, 1957, 1958 and 1959 that
14 are available to you will satisfy you. I thought
15 that I was trying to be helpful. He did not reply
16 to that. He just said, what you have told me is no
17 good.

18 Now, he asks in there for depreciation
19 reserves and gross investments.

20 MR. FRAWLEY: Perhaps I should tell my
21 friend and the Commission that it is true our
22 original demand said 1945 - 1959. If my friend
23 tells me that there is readily available material
24 for 1956 - 1959, as far as we are concerned that
25 would satisfy us.

26 MR. SINCLAIR: My point on this matter of
27 depreciation is the Canadian Pacific interest in
28 investments - obviously you do not depreciate an
29 investment. If we have got some shares in Canadian
30 Arena Company, as we have, I don't know if Mr. Frawley



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2 knows what that is, but that happens to be a company
3 in Montreal that has the Montreal hockey team.

4 But the point is that if he does not know,
5 now he does. But certainly Canadian Pacific is
6 not depreciating its shares in a company. If he does
7 not know that, I am sure Mr. Morrison would be quick
8 to tell him that that is not what you do. But in
9 so far as the property accounts are concerned, where
10 depreciation is meaningful, that is in the report,
11 too. That is all there, and if he cannot figure it
12 out, I can only say to him: it is there, go look
13 at it.

14 Now, Mr. Chairman, if he is interested in
15 the rates of depreciation, certainly Mr. Frawley
16 or his advisers cannot supplant themselves for the
17 duty upon the directors and management of these
18 companies as to the amount of depreciation they take.
19 I certainly do not think that it is this Commission's
20 duty, interest or place to review each and every
21 company that is made up in the complex Canadian
22 Pacific, and to look at --

23 THE CHAIRMAN: How many are there?

24 MR. SINCLAIR: Now, Mr. Chairman, to answer
25 a question like that -- I could count them.

26 THE CHAIRMAN: Over a hundred?

27 MR. SINCLAIR: There would be maybe thirty
28 or forty there of affiliated companies, and I would
29 say thirty or forty individual companies of some
30 areas that the Canadian Pacific has a significant



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2 interest in. And then there are investments in
3 various types of securities -- a fairly substantial
4 list, also.

5 But my point, sir, is that neither this
6 Commission nor my friends nor their advisers are
7 in a position to put their judgment against the
8 people that are responsible with respect to the
9 fixing of what is judged in depreciation in the
10 light of these various companies' activities. That
11 is a responsibility that rests with the management
12 and directors of those individual companies.

13 Now, it may be that Mr. Frawley or anybody
14 else would like to know a lot of things -- a lot
15 of things. But I hope that none of my friends
16 who have spoken to this motion will misunderstand
17 me when I say that in regard to the alternative
18 suggestion made to this Commission I am shocked,
19 and that is the only word that I can use, to see that
20 in the motion.

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2 As this Commission knows, they appointed
3 Mr. Kent and his firm to make certain investigations
4 on behalf of the Commission. Mr. Kent did not leave
5 with Canadian Pacific any data that he extracted;
6 I don't know what he has got. I have inquired,
7 did he give us copies, and the answer is No, and I
8 would expect that to be so. So I don't know what
9 Mr. Kent did. I do know that Mr. Kent and some
10 of his staff spent considerable time in the Canadian
11 Pacific, and at his request, I met him and he
12 asked me whether the books of Canadian Pacific would
13 be open to him and to his colleagues for their
14 investigation on behalf of the Commission, and I
15 said yes, and so arranged it, and he had complete and
16 free access to those books.

17 Now, Mr. Kent is an auditor and from a
18 well known firm, and he is accustomed to dealing
19 with company books and he knows that there are
20 things in those books which are private information
21 to these companies. Now, he obviously takes off
22 figures, makes certain interpretations of figures
23 and prepares certain statements as any chartered
24 accountant, and the way he prepares them indicates
25 to anyone exactly what he thinks. He may have
26 notes on them; I don't know. But when a person
27 from a Royal Commission under the Public Inquiries
28 Act comes to a company like Canadian Pacific and
29 says: "I have been asked by the Royal Commission
30 to do a job for them. You know me, you know what I



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2 do, you know my firm. I am asking you will you open
3 up your books to me?" And the answer was yes.
4 Certainly that wasn't with any suggestion that his data
5 and his interpretation of it and his statements would
6 be made available publicly to anybody, and I am just
7 shocked that my friends would suggest that, because
8 if that were going to be so, I would ask the President
9 of Canadian Pacific for instructions as to what I should
10 do with the request of Mr. Kent. I didn't, because
11 I was quite confident, knowing Mr. Kent and knowing
12 the powers and rights of the Royal Commission, and
13 knowing the tradition that is behind these things,
14 that this data that he may take off would not be
15 available.

16 I go further. Mr. Kent said to me: "Do
17 you or any one of the company's officers wish to be
18 present when I or members of my staff are looking at
19 your books?" And I said: "Certainly not; certainly
20 not." So not only did he not leave data with us but
21 we were not even there when Mr. Kent and his staff
22 were doing work on the books, and I have no idea what
23 he did and I don't think I have any right to know.

24 I say this also, Mr. Chairman, that there
25 is jurisprudence that can be cited, that this kind of
26 information, even where there are parties at issue and
27 where a commission or an organization makes inquiries,
28 that says that does not have to be made available to
29 the parties and that attempts to force the making of
30 it available have by the courts been ruled not so.



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2 So we get on this question of other income
3 approached by my friends. If my friends cannot argue
4 that investments, listing them out, seeing the amount
5 of the investments, seeing whether it paid a dividend,
6 seeing whether the book value was less or more than
7 par -- if that isn't enough information for them,
8 quite frankly I think their appetite is insatiable.
9 And ever since 1956 and as a result of the recommen-
10 dation of the Royal Commission in 1949-1950, on
11 Transportation, under the chairmanship of the Honourable
12 Mr. Turgeon, more information in more detailed form
13 was available than ever was available up to that time.
14 Now, I have a suspicion that this has not been carefully
15 considered by my friends. If they say they don't know
16 where to look for it, fine.

17 There is only one thing, and I want to com-
18 pletely cover the item that could cause any difficulty
19 at all here, and that is that you have to have quite a
20 bit of accounting knowledge to be able to take out
21 of that report one item and say that is the amount of
22 interest earned on cash within the year credited to
23 rail and non-rail. But that is available, and with
24 accounting knowledge -- by that I mean you don't have
25 to be a chartered accountant or a professional
26 accountant; even a fellow such as myself with a
27 little accounting knowledge is able to pick off these
28 figures, and I am quite sure that some of my friends,
29 who have a lot more knowledge in accounting matters
30 than I have, could do it also. But that is the only



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2 one that has even a touch of difficulty.

3 It is for these reasons, Mr. Chairman, that
4 I submit the motion is not well-founded, that the
5 information available doesn't place my friends under
6 any disability and, in any event, it could well be
7 that this Commission -- I must say that this would
8 be our position -- may well find that the existing
9 arrangement and all that that implies under the Railway
10 Act in control of the Board adequately and fully pro-
11 tects the public interest, and if they do do that,
12 and notwithstanding that a great amount of time and
13 effort was expended to produce figures for goodness
14 knows what purpose, I would think that that would be
15 most unfortunate.

16 MR. McDONALD: Mr. Chairman and Commissioners,
17 first I would like to say that I overlooked replying
18 to the letter from the provincial counsel. It came in
19 late in July when I was on holidays and our accounting
20 department was asked to look into the question. I had
21 advised the Secretary of the Commission that we were
22 looking into it and we would see what could be done.
23 That was why no reply was received from the Canadian
24 National.

25 You might say that Canadian National might
26 not be so interested in this matter, but we are inter-
27 ested. I agree with the arguments advanced by my
28 friend Mr. Sinclair whole-heartedly, and I do not wish
29 to take the time of the Commission in going over them
30 in detail. All this information, I submit, is



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2 available in the reports of the DBS and the reports
3 of the Board of Transport Commissioners. It is
4 given there, the rail income, the non-rail income and
5 all the details, and to assist my friends I asked
6 our accounting department to prepare a statement cover-
7 ing the years 1956 to 1959 inclusive, which just
8 contains the information which is on the public
9 record with DBS and the Board of Transport Commis-
10 sioners. For instance, we have dealt with the
11 different categories; you don't go into each item
12 in every detail, but, for instance, we have income
13 from lease of road, income from non-transportation
14 properties, and indicating what they are, hotel income,
15 and that sort of thing, and I am prepared to file this
16 with the Commission, and this contains the information
17 which is already public with the DBS and with the
18 Board of Transport Commissioners. I would be very
19 glad to file this. It is headed "Canadian National
20 Railways. Non-Rail Assets, Depreciation Reserve and
21 Earnings for the Years 1956 to 1959 inclusive," and
22 I would be very glad to give this to the Commission.
23 I have ten copies for the Commission. I have copies
24 for each counsel, and they will be distributed.

25 THE CHAIRMAN: Are you filing that now?

26 MR. McDONALD: Yes, I am filing that now.

27 Mr. Macdougall is distributing these, and Mr. Anderson
has ten copies there for the use of the Commission.

29
30 ---EXHIBIT NO. 152:

Canadian National Railway state-
ment of non-rail assets, depre-
ciation reserve and earnings, for
years 1956 to 1959 inclusive.



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2 MR. McDONALD: So I submit, therefore, that
3 the motion made by Mr. Frawley should be dismissed
4 by the Commission, because I don't see where any further
5 information would be of any assistance. It is suf-
6 ficiently covered in the reports already made, and
7 our position will be that it is not necessary that
8 the Railway Act should specify what other assets or
9 income should be taken into consideration, that that
10 is already covered adequately by the classification
11 of accounts.

12 That is all I have to say on the matter,
13 Mr. Chairman.

14 THE CHAIRMAN: Mr. Frawley?

15 MR. FRAWLEY: I have a very short reply,
16 Mr. Chairman.

17 The Order in Council, of course, must be
18 looked at, and the Order in Council says whether and
19 to what extent the Railway Act should specify the
20 assets and earnings of the railway companies in a
21 business and investment other than railway. Now,
22 that isn't answered, the Commission hasn't discharged
23 its obligation to the Governor General in Council
24 if they simply reported the number of thousands of
25 dollars the Canadian Pacific has invested in Smith
26 Transport, and that is all that the published and
27 filed information tells us. The Commission must find
28 out what the assets of a company is and what the
29 earnings of that subsidiary company is and whether
30 or not these earnings and the profits or losses should



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2 be credited to the account. It is a simple opera-
3 tion to find out what the investment was last year in
4 the ABC company and what dividend was paid. That
5 wouldn't tell you anything about the profitability or
6 otherwise, or the assets they have or the kind of
7 business they carry on, because surely the
8 Commission must have some idea whether the business
9 carried on is germane to the railway enterprise.
10 Certainly one would never learn anything about either
11 the assets or the earnings of the Alberta Stockyards
12 last year or the year before simply by looking at
13 the DBS material. All that would tell us was the
14 stock, the total value and whether they paid a dividend.
15 You see, moneys could be set aside for dividends and
16 regard that as an expense and include the year in
17 a deficit position; you could pay your dividends out
18 of the accumulated surplus or whatever you like to do.
19 On the other hand, you could make a great deal of
20 profit and pay small dividends. So that is not a
21 sufficient answer.

22 Now, my friend had a technical argument
23 and that all the Commission was directed to do was to
24 say to what extent the Railway Act should specify what
25 the assets and earnings are. But the paragraph
26 goes on to say, what assets and earnings of railway
27 companies are in business and investments other than
28 railways should be taken into account, and I cannot
29 learn that by simply looking at the published statement
30 in the DBS. So if that is the narrow ground my



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2 friend bases his case on, I think it should fail.

3 My friend said that the scope of this
4 Commission should not extend to the functions of what
5 are the jurisdictions of the Board. Well, clearly
6 that has no application. If some misguided person
7 came before this Commission and was so disturbed by
8 a certain tariff and asked the Commission to vitiate
9 that tariff and declare it suspended, obviously this
10 Commission has no such jurisdiction, and that was
11 all that was endeavoured to be safeguarded by that
12 paragraph in the Order in Council.



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2 My friend endeavors to dispose of it on the simple
3 ground that if we find a lot of profitable assets
4 we will say put those into rail, and if we find some
5 unprofitable ones we will say leave those out. Of
6 course, Mr. Chairman, with respect, that argument is
7 hardly worthy of my friend. That would be a pretty
8 juvenile situation -- if we were just looking for
9 profitable ones and said, put those in rail. We should
10 keep in mind that assets which are profitable this
11 year or last year may be unprofitable two years from
12 now. I can assure you, Mr. Chairman and members
13 of the Commission, that there will be no judgment
14 arrived at on any such specious ground as that -- to
15 put the profitable ones in and leave out the unprofitable
16 ones.

17 My friend says he is shocked at our alternative
18 argument. All we ask is that this information may
19 be there now that we have asked for in paragraph 1,
20 and if it is not my friend is suggesting reasons why
21 it perhaps is not there. Well, make the direction
22 that my friend supply the information requested under
23 paragraph 1 of our demand for particulars. We
24 sincerely think that we are helping to expedite the
25 work of this Commission by saying, "Give us the
26 information you have gathered yourself shorn of
27 any recommendations by Mr. Kent, or whatever consultants
28 you had. Give us the information which conforms
29 with the particulars we demanded, and nothing else. We
30 think that will help us."



1
2 I say no more, except I recall to the
3 Commission the exchange between Commissioner Mann
4 and myself as to what that report may disclose and
5 what our attitude might be.

6 THE CHAIRMAN: We will reserve our ruling
7 on the motion.

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2 ---DIRECT EXAMINATION BY MR. SMITH, continued.

3 Q. Mr. Matheson, you have some further
4 statements to make in respect of the evidence given
5 yesterday?

6 MR. MATHESON: Mr. Chairman, yesterday I
7 stated to the effect that the wages in Sydney, Nova
8 Scotia at our steel mills were the same as at Hamilton.
9 I wish to qualify that and state that they are
10 approximately the same. There is a variation of about
11 one cent, I am instructed.

12 Q. Is that the only matter you wish to
13 clear up?

14 MR. MATHESON: That is the only matter at
15 the present time, excepting, Mr. Chairman, there may
16 be some corrections in the transcript or changes we
17 will submit later on.

18 COMMISSIONER MANN: These are the hourly wages?

19 MR. MATHESON: This is the hourly wages to
20 which we refer, and there are also possible differentiations
21 in job classification.

22 COMMISSIONER MANN: Are there any significant
23 variations in the fringe benefits, such as holiday
24 provisions?

25 MR. MATHESON: This one per cent variation
26 includes that.

27 COMMISSIONER ANSCOMB: The one per cent is
28 in your favour, is it?

29 MR. MATHESON: Yes, that is correct.

30 MR. SMITH Q: That is to say, it is less?



1
2 MR. MATHESON: It is less.

3 Q. Is that all?

4 MR. MATHESON: That is all.

5 MR. SMITH: Mr. Chairman, I just wish to
6 mention for the record that Mr. W.J. Moloughney,
7 manager of commercial research, Dominion Steel and
8 Coal Corporation, is also associated with me in this
9 and with Mr. Matheson in the presentation of this
10 submission.

11 ---CROSS-EXAMINATION BY MR. COOPER:

12 Q. Mr. Matheson, I just have a few questions
13 of a general nature first, and then I want to discuss
14 with you in some little detail your part VII, The
15 Selective Method as Applied to Steel Rates. However,
16 before we get to that part, these few general questions:
17 page 1, for the purposes of the record would you please
18 give the number of employees of Dosco in the Atlantic
19 provinces?

20 MR. MATHESON: I can give you the number
21 connected with our steel works at Sydney. Would you
22 mind leaving that over and we will supply the
23 Commission with that information?

24 Q. Certainly.

25 MR. MATHESON: We have it for the steel works
26 at Sydney, if that is of any help to you at the present
27 time.

28 Q. Yes, would you please give the
29 Commission that figure?

30 MR. MATHESON: The facts and figures of 1959:



1
2 the average payroll force at the Sydney works was
3 4,014 employees; the total wages, salaries, and
4 benefits for 1959, Sydney works, \$21,552,000.00 which
5 represents an average weekly pay and benefit per
6 Sydney works employee of \$103.25.

7 Q. You will furnish the other figures
8 that I have asked for, will you, Mr. Matheson, at
9 a later date?

10 MR. MATHESON: Possibly we will have them
11 before the day is out.

12 Q. You mention on page 1 the corporation
13 owns and operates steamships; could you give us
14 some detail as to the number of steamships and the
15 services in which they are engaged.

16 MR. MATHESON: I mentioned yesterday that
17 we had two steamships: I was referring specifically
18 there to the coal trade this year. We have three
19 steamships that are owned by a subsidiary company
20 of ours, Dominion Shipping. Those ships were
21 purchased at the end of World War II from the
22 Dominion Government. They are known as the
23 Park line ships, and were reconverted into what they
24 call single deckers. Incidentally, they are of
25 Canadian registry, Canadian crew and are paid Canadian
26 wages pursuant to negotiations with the S.I.U.
27 In addition to those three ships we have a long
28 term charter for the ore trade -- a 15 year charter
29 of the ship known as the Charlton Mira. I wanted
30 to bring in the Charlton Mira because she is on a



1
2 long term basis. The three ships in the Dominion
3 Shipping -- two of them this year have been plying
4 in the coal trade and one in our ore and limestone
5 trade, between Sydney and Wabana, Newfoundland,
6 between Sydney and Aguathuna, Newfoundland and
7 between Sydney and Seven Islands, Quebec.

8 Q. You operate three railroads: I know
9 the Sydney and Leesburg, and the second is Essex
10 Terminal Railway ---

11 MR. MATHESON: And the Cumberland Railway
12 and Coal Company and Springhill. That is only about
13 4. something of a mile left because the other part
14 between Springhill mines and Parrsboro has
15 been abandoned. For the information of the
16 Commission there is an application sub judice, before
17 the Board of Transport Commissioners for the
18 abandonment of the remaining segment. The mines,
19 of course, closed down there and the application,
20 as stated, is before the Board.

21 COMMISSIONER PLATT: Where is the Essex
22 Terminal?

23 MR. MATHESON: That operates between Walkerville,
24 Ontario and Amherstburg.

25 MR. COOPER Q: I direct your attention
26 to page 3 paragraph 5:

27 "It has often been stated - and it
28 is a fact - that the steel industry
29 located at Sydney has a more advantageous
30 position to export markets compared with



1
2 other Canadian primary steel producers."
3 I want also to direct your attention to the note
4 at the bottom of the page preceded by two asterisks:

5 "Whereas in 1936, for example,
6 61.05 per cent of the steel shipments
7 from Sydney works were to export
8 markets, in 1959, exports only accounted
9 for 3.11 per cent of the total quantity."
10 Would it be correct to say that the present difficulties
11 of the company are caused in considerable degree
12 by loss of export markets?

13 MR. MATHESON: It would be in the light of
14 these percentages, in relation to the historical
15 location of the industry, I would say that the loss
16 of the export market contributed substantially.

17 Q. Is it a correct inference from that
18 that the Canadian market, therefore, has assumed
19 of recent years a far greater importance than
20 previously in the company's history?

21 MR. MATHESON: That is correct, of necessity.

22 Q. But I notice by the press that you
23 have now an export order of some \$12 million value
24 to Mexico?

25 MR. MATHESON: That is correct.

26 Q. The picture may be improving with
27 respect to exports?

28 MR. MATHESON: No, I would not say that,
29 Mr. Cooper. From my understanding of the securing
30 of that order, it was terrifically competitive.



1
2 Q. The amount is \$12,500,000.00, and it
3 is an order for the Mexican government for 100,000
4 tons of steel rails and accessories?

5 MR. MATHESON: Basically, the amount is
6 correct -- that is the amount of the tonnage; I
7 don't know about the value.

8 Q. Page 5, Mr. Matheson, in paragraph 11
9 you say:

10 "In furtherance of its policy to
11 participate in Canada's expanding market
12 for finished steel, the corporation
13 announced, sometime ago, that a hot and
14 cold sheet and strip mill would be
15 constructed in the vicinity of Montreal."
16 I take it that is the plant at Contrecoeur?

17 MR. MATHESON: That is the plant in the
18 vicinity of Montreal -- Contrecoeur was one of the
19 sites that was under consideration and is still under
20 consideration.

21 Q. The construction of that mill has not
22 as yet commenced?

23 MR. MATHESON: The property has been
24 purchased; there is property purchased at Contrecoeur,
25 but it has not as yet been started.

26 Q. What is the distance of Contrecoeur
27 from Montreal?

28 MR. MATHESON: Approximately thirty or thirty-
29 five miles.

30 Q. If that plant is built -- perhaps you



1
2 have already stated it in the submission -- but to
3 be clear on it, what will be produced?

4 MR. MATHESON: Flat steel and hot and cold
5 sheet and strip steel; that covers it. Incidentally,
6 this is one field, of course, which Dosco has not
7 as yet entered into and which today constitutes
8 approximately 50 per cent of the finished steel
9 market in Canada.

10 Q. With the construction of that new
11 plant you would be entering into a segment of the
12 market previously not touched or tapped at all by
13 Dosco?

14 MR. MATHESON: Correct.

15 Q. On page 12, commencing at paragraph
16 25 appear the words:

17 "It is apparent from the Duncan
18 Commission's report that the immediate
19 measure recommended was intended as
20 a partial remedy only...."

21 I was under the impression, Mr. Matheson,
22 that the Duncan Commission report mentioned that
23 the Commission was settling the problem or intending
24 to do so once and for all?

25 MR. MATHESON: Mr. Cooper, I think before
26 the last Royal Commission on transportation in
27 1949 the question of "once and for all" was put to
28 me, and I replied to the effect I considered that
29 a rhetoric sweep. I still am of that opinion,
30 and probably more so than ever in the light of the



1
2 developments since that particular time.

3 Q. I was going to suggest that your
4 answer was a rhetoric sweep.

5 MR. MATHESON: I would agree perhaps with
6 that statement. I would go on to say that in the
7 Royal Commission report on Maritime Claims they
8 did refer to the impact of the horizontal percent
9 increases and dealt to some extent with that impact
10 in relation to the steel industry in the Maritimes,
11 and had set out some statistical data, rate data,
12 and so on. I am speaking from memory now in the
13 absence of looking up the report, but as I remember
14 it they went on to say that the Board of Transport
15 Commissioners should look into this question of
16 this impact as it affected the steel industry. So,
17 therefore, I would say that approximately 20 per
18 cent as recommended by the Royal Commission, therefore,
19 constituted only a partial remedy, particularly in
20 so far as the steel industry is concerned.

21 Q. And that is your explanation for the
22 statement, "It is apparent from the Duncan Commission's
23 report ---", and that is the manner in which you
24 reason the matter out of the intention of the
25 Duncan Commission's report to put in at that time
26 a partial remedy only?

27 MR. MATHESON: Yes. Mr. Cooper, now that
28 I have a copy of the report in front of me, at
29 page 26 of the Royal Commission report, paragraph 13
30 appears:



1
2 "Incidence of horizontal war
3 increases. There is one further
4 very important feature of the railway
5 situation...?

6 Q. What Commission report are you
7 reading from?

8 MR. MATHESON: The Duncan Commission, the
9 Royal Commission on Maritime Claims.

10 "There is one further very
11 important feature of the railway
12 situation, as it affects the Maritimes,
13 which calls for special mention. In
14 one sense it is connected with the
15 problems that we have been discussing,
16 but its immediate incidence is not
17 so inter-connected with the general
18 problem as to make it impossible to
19 deal with it separately. Indeed the
20 reaction of the burden which it imposes
21 is so great that, in our view, it
22 should be dealt with as a special
23 problem. We refer to the system under
24 which, during the late war, flat
25 percentage increases (known as
26 'horizontal increases') were added
27 to railway rates. We quote merely
28 as an example, figures submitted
29 to us by the British Empire Steel
30 Corporation..." -



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Moloughney, cr-ex. (Cooper)

14810

1
2 which is now the Dominion Steel Corporation -

3 "...in respect of iron and steel
4 articles..."

5 etc. etc.

6 THE CHAIRMAN: We will break now.

7 ---Luncheon adjournment.
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2 ---On resuming at 2.00 p.m.

3 THE CHAIRMAN: Order, please. Mr. Cooper?

4 MR. COOPER: Thank you, Mr. Chairman.

5 Q. Mr. Matheson, will you turn to page 13,
6 paragraph 27. You say in that paragraph, and I am
7 quoting:

8 "Meanwhile, perforce of the repeated
9 increases since April 8th, 1948 the
10 cumulative rail rate levels have been reach-
11 ing the point where water transport, even
12 allowing for conveniences inherent in
13 rail transport, was becoming more and
14 more competitive. In fact, in 1959, even
15 despite the roll-back effected on August
16 1st of that year, it had become manifest
17 that recourse would have to be had to
18 water movement in order to alleviate
19 the erosive effect of a combination of
20 horizontal rail rate increases from the
21 Sydney Works and rate reductions from
22 transportation competition in the
23 central region."

24 You also refer, Mr. Matheson, to water
25 competition in paragraphs 40, 43 and 48.

26 Paragraph 40 is contained on pages 20 and 21,
27 and you mention there that Dosco found it advantageous
28 to ship two cargoes of steel by water to its Montreal
29 works in 1959.
30



1
2 Paragraph 43 is on page 21. I won't read
3 that paragraph, but I call your attention to it.

4 Paragraph 48 is on page 22, where you give
5 percentages of movements by rail, water and truck. I
6 should like you to comment generally and give the
7 Commission information with respect to water movements
8 from the maritime plants and taking into account in
9 your answer the prospect for increased water movements
10 or otherwise in the future.

11 MR. MATHESON: Mr. Chairman and members of
12 the Commission, it is customary for us to ship by
13 water from Sydney to Vancouver, serving the Vancouver
14 market. We have also shipped from Sydney to ports
15 in Quebec and Newfoundland, and have done so this
16 year.

17 We have also shipped by water from Sydney
18 to Fort William with the movement inland of steel
19 from there to points in western markets.

20 THE CHAIRMAN: And you ship to Mexico?

21 MR. MATHESON: That is true, sir, but we
22 consider that more or less of the export market as
23 distinct from the domestic market.

24 Now, we last year shipped -- had two shiploads
25 of steel at Sydney, as I mentioned in my brief, to
26 our Montreal Works, carrying raw materials for that
27 finishing plant. We found it cheaper to do so,
28 keeping in mind the handling from the mill to the
29 mill which involved not only the water factor but
30 also loading, discharging, switching and handling at



1
2 the originating and destination points.

3 The shipments this year to Newfoundland
4 were to St. John's, Newfoundland for the construction
5 of the new pier in St. John's harbour, and we have
6 shipped up to Seven Islands and to Port Cartier in
7 the province of Quebec.

8 If there is any further elaboration I shall
9 be only too pleased, Mr. Cooper, to go on from there.

10 Q. I want to get some information as to
11 your views with respect to the future, and perhaps I
12 can point it up this way, by referring you again to
13 paragraph 48, in which you state:

14 "In the period August 1, 1958 to July
15 31, 1959, 85 per cent of the shipments
16 from Dosco's maritime plant were by rail,
17 13 per cent by water and but 2 per cent
18 by truck."

19 Do you expect in the future that that 13 per cent
20 figure will be increased?

21 MR. MATHESON: It is pretty difficult to say.
22 It all depends on conditions and circumstances obtaining
23 at the particular time.

24 Incidentally, being party to several rate
25 agreements, some of the movements by water which were
26 previously possible were not possible now, owing to
27 reduced percentage, if it involves a percentage. That
28 AC 887 is 100 per cent or 95 per cent?

29 Q.. 95 per cent, I think.

30 MR. MATHESON: 95 per cent. And our agreement



1
2 in connection with wires and nails to western Canada
3 is 90 per cent. So, to some degree -- now, of course,
4 subject to notice from the railways or subject to
5 notice from ourselves in the termination of the
6 particular agreements -- there has been a cut-back on
7 the potential of the domestic movement by water. But
8 it always stands out as a possibility.

9 COMMISSIONER MANN: I wonder if I might ask
10 Mr. Matheson a question, Mr. Cooper?

11 MR. COOPER: Certainly, Commissioner Mann.

12 COMMISSIONER MANN: These shipments by water
13 -- were they done in your own ships or were they done
14 in scheduled liners or were they by trans-steamer
15 tonnage?

16 MR. MATHESON: These would be in the cate-
17 gory of a charter. They were charters, in fact,
18 where the ship in a regular service was going to the
19 east. But on the way back they were chartered to
20 lift the steel from Sydney to our Montreal works.

21 Now, on that point I refer now to the
22 Maritimes Transportation Commission's brief about the
23 question of subsidy to regular water carriers. It
24 would be a very easy matter, as you can follow, if you
25 can follow and bear with me, for an arrangement to be
26 made with a regular so-called carrier in coming back.
27 In this particular case, he would be not in the sense
28 of regular; he would be more or less in the category
29 of a tramp ship. However, that would not preclude
30 him from being in the category of a regular carrier,



1
2 and we make a trip charter with him for the carrying
3 of our steel back. And by that procedure, then, he
4 would be eligible for a subsidy.

5 COMMISSIONER MANN: The period you cover
6 there, August 1, 1960 to July 31, 1959 was, according
7 to my understanding, one of the depressed conditions
8 in the charter market. Would that conform with your
9 understanding?

10 MR. MATHESON: Yes, the last several years
11 have been a depressed condition in the charter market;
12 correct.

13 COMMISSIONER MANN: So that your figure of
14 13 per cent by water is the best you could do under
15 depressed rate conditions in the charter market;
16 would that be right?

17 MR. MATHESON: No -- you must remember it
18 depends on the conditions and circumstances obtaining.
19 With these ships, by whom we move the steel, they probably
20 might have a five-year charter.

21 COMMISSIONER MANN: I see.

22 MR. MATHESON: Or, periodic for a number
23 of years. This is a trip charter, and it may not
24 bear any relationship whatsoever to the current time
25 charter situation. In other words, he wants traffic
26 going back. He was prepared to do so at a certain
27 rate. Sometimes it might be a question of a marginal
28 per cent out-of-pocket cost. As long as he gets the
29 cost of moving the ship back to Montreal, he is quite
30 satisfied.



1
2 COMMISSIONER MANN: Thank you very much.

3 MR. COOPER: Q. Mr. Matheson, dealing a
4 little further with this question of water transport,
5 have you made any study of the effect the St. Lawrence
6 Seaway might have on the maritime plants of Dosco?

7 MR. MATHESON: We have looked into that,
8 Mr. Cooper, and in regard to the movement this year
9 by water to Fort William the ship had a carrying
10 capacity of approximately 4400 tons.

11 Now, I am just referring to that particular
12 ship. If that was before the seaway, the largest
13 ship that could go up would be 2500 tons. And, on
14 a prorata basis I would say it would be more expensive
15 and conceivably we could not have moved that steel by
16 water to Fort William, I am positive, at the rate we
17 did pay.

18 In other words, if we were to ship that
19 steel today that we moved to Fort William, to take
20 a 2500-tonner, we would pay more than we did in the
21 case of the 5000-ton. So, therefore, to that extent
22 the seaway was of a benefit in regard to that par-
23 ticular movement.

24 Q. It will continue to be so in respect of
25 future movements?

26 MR. MATHESON: I would say that as freight
27 rates go up by rail the existence of the seaway will
28 tend to broaden our potential market westward. It may
29 not be of much benefit to us, say, on the present level
30 at Toronto. Do you follow me? We have gone into



1
2 these factors. It may not be, and I say that advisedly,
3 in connection with the shipments of wire rods from
4 Sydney to our Etobicoke plant. It may not as at the
5 present time be of advantage to us, but, conceivably,
6 if the rates went up 10 or 15 or 20 per cent more, then
7 that line becomes at a point where it could be to our
8 advantage.

9 Now, there is a case, also, where the seaway
10 would be of advantage to us because it makes it possible
11 for a larger unit, a larger ship, to go all the way
12 from Sydney up to Toronto.

13 Q. But if freight rates move, the area which
14 you can reach, or the distance you can reach profitably
15 by water, you would come down from Fort William, say,
16 to Toronto?

17 MR. MATHESON: Or Windsor, as the case may be,
18 to our Walkerville plant.

19 THE CHAIRMAN: Your water rate would be a
20 matter of contract, not regulation?

21 MR. MATHESON: It would be a matter of con-
22 tract, Mr. Chairman -- a contract proposition for part
23 of a ship or the whole of a ship, as the case may be.

24 MR. COOPER: Q. Mr. Matheson, at page 17,
25 paragraph 31 -- and I am not going to read that para-
26 graph. However, I do refer to it and to paragraph 31A.
27 I merely wish to ask you this question: that there
28 always has been in the past a differential between
29 Hamilton to Montreal on the one hand and Sydney to
30 Montreal on the other?



1
2 MR. MATHESON: That is correct.

3 Q. That was true even on June 30, 1927?

4 MR. MATHESON: That is correct.

5 Q. Page 23, Mr. Matheson, paragraph 49:

6 "The truck shipments from Dosco's
7 maritime plants are intraterritorial.

8 Trucks have been non-competitive in the
9 transport of steel from Sydney, N.S. to
10 Central Canada."

11 I merely ask you this question, and perhaps the answer
12 may be obvious: do you consider that trucks will
13 remain non-competitive in the transport of steel from
14 Sydney to central Canada?

15 MR. MATHESON: My answer to that is that
16 we have made cost studies in connection with the
17 utilization of our own trucks for the movement of
18 steel. In fact, we have moved steel by our own
19 trucks.

20 Q. From where to where?

21 MR. MATHESON: From Montreal to Toronto, and
22 also to Windsor. Now, we know, have a pretty good
23 idea, what it costs per ton mile in connection with
24 steel; and unless the rail rates go extremely high,
25 it is very doubtful if the trucks will ever become a
26 competitive factor in connection with the movement of
27 steel from Sydney, say, to Montreal.

28 I perhaps might qualify that by saying unless
29 they became a more economic unit than what they are
30 today -- larger carrying capacity, and so on.



1
2 Q. Well, it is a fair inference, then,
3 from what you say that in so far as the foreseeable
4 future is concerned you cannot see trucks becoming
5 competitive with the railways in the transportation of
6 steel from Sydney to central Canada?

7 MR. MATHESON: Yes. And that is particular-
8 ly with the raw material, such as billets, blooms and
9 wire rods.

10 THE CHAIRMAN: Steel is too heavy?

11 MR. MATHESON: Yes, I think so.

12 MR. COOPER: Q. For the information of those
13 of us who are not familiar with the steel industry,
14 would you just tell us what billets and blooms are,
15 Mr. Matheson?

16 MR. MATHESON: Hot rolled -- we call hot
17 rolled billets and blooms -- is a raw material from
18 which bars and angles and sheets, bars and sheets,
19 are rolled. They are the product of the first rolling
20 operation beyond the crude stage, or the ingot stage.
21 Now, the billets measure about -- they range from
22 1-3/4 inches to about 3 1/2 inches from our plant,
23 our Sydney Works. They are mostly square. Their
24 length is about 28 feet.

25 A bloom, on the other hand, is larger. I
26 our case, they are square or rectangular. When they
27 are square, they are about 5 inches by 5 inches, and
28 measure, I would say, approximately 18 feet.

29 There are variations to that, you see, but
30 that covers what we call blooms and billets.



1
2 Q. You are saying that blooms are larger
3 than billets?

4 MR. MATHESON: That is correct.

5 Q. So, blooms are just larger billets;
6 is that right?

7 MR. MATHESON: Well, nobody can define,
8 for example, exactly what a billet is. All anyone
9 can say is that most billets in the cross-section are
10 roughly square and often range from, as I said,
11 1 3/4 inches to about 3 1/2 inches. But I suppose
12 more or less we could say the bloom is a large
13 billet.

14 MR. ELLIS: Yes, that is right.

15 MR. MATHESON: Or, as Mr. Ellis says, a
16 billet is a small bloom.

17 Now, as to wire rods, hot rolled, that is
18 the raw material in the coils from which wire is
19 cold drawn.

20 Q. A steel slab is just a what?

21 MR. MATHESON: Is equivalent, I would say,
22 to a bloom, only it is flatter. It is not square.
23 It probably is about 12 inches, or, in our particular
24 case, it could be about 12 inches wide and probably
25 3 or 4 inches thick. In other words, instead of
26 being rectangular or relatively square, it is flat.



1
2 Q. You mentioned also ingots. As I
3 understand it, that is the raw product from which
4 these others are rolled. Would you tell the
5 Commission what ingots are?

6 MR. MATHESON: Well, ingots would measure --
7 there are different sizes. Roughly twenty-six inches
8 square, weighing about $6\frac{1}{2}$ tons, in our case, in the
9 case of Dosco.

10 Q. Thank you. I refer you to page 28
11 and particularly on that page to paragraph 63:

12 "Dosco submits that rate increases
13 instead of being applied horizontally
14 should have been implemented selectively
15 in order to maintain as nearly as reasonably
16 possible the 'discrimination between' that
17 had existed in relation to the Maritime
18 area."

19 Are you suggesting there, Mr. Matheson, a
20 general alternative to the horizontal rate increases?

21 MR. MATHESON: Yes. What we have in mind
22 there -- and I think this goes back to our cases
23 before the Board of Transport Commissioners and goes
24 back a number of years now, and I see that the
25 province of Manitoba has accepted the same basis,
26 that, a percentage with a hold-down of a flat amount --
27 I don't say you have accepted the same basis; but
28 you have mentioned it and we have mentioned it. It
29 is one of these things, to lessen the full impact of
30 the horizontal increase. The main purpose is to



1
2 protect rate relationships.

3 Q. It is the selection of certain commodities,
4 is it, which will not bear the full effect of the
5 percentage increase or, rather, to which that would
6 be applied?

7 MR. MATHESON: Yes. In other words, a
8 commodity has to be looked at in its proper perspective
9 in relation to the relationships.

10 THE CHAIRMAN: And a ceiling put on?

11 MR. MATHESON: Correct.

12 MR. COOPER Q: That is your suggestion,
13 then, to go back part way at least toward a solution
14 of this horizontal rate increase problem?

15 MR. MATHESON: That is correct, Mr. Cooper,
16 that is our view.

17 Q. I want to turn now to Part VII, the
18 Selective Method as Applied to Steel Rates, and I
19 want to understand fully the working out of the
20 figures on page 33. As I understand it, your
21 principle contention in this submission is that
22 the rates from Hamilton to a key point, which you have
23 taken as Montreal, should be the same as rates from
24 Sydney to that key point, Montreal.

25 MR. MATHESON: That is correct, sir.

26 Q. Now, we will take your figures on
27 page 33. There may be some repetition here and I
28 may be putting to you some things which will be
29 perfectly obvious to you, but I want to get a clear
30 understanding of how you have arrived at your figures



1
2 on this page.

3 Now, in the first place, as I understand it,
4 there were at July 31st, 1959, two rates out of Hamilton,
5 namely, the competitive rate of 455 and the commodity
6 rate of 798.

7 MR. MATHESON: That is correct.

8 Q. The increase in so far as the
9 competitive rate is concerned is 155, and obviously you
10 must have taken 300 as the base and taken the
11 difference between 455 and 300 to get the 155?

12 MR. MATHESON: Correct.

13 Q. The commodity rate increase is 498.

14 MR. MATHESON: \$4.98, correct.

15 Q. Now, your weighted rate as of July 31st,
16 1959, 589. Now, I take it what you are doing there --
17 you have two rates, competitive rate and commodity
18 rate, and you want, of course, to come up with one
19 rate which you can compare with and apply to Sydney.

20 MR. MATHESON: That is correct.

21 Q. If you follow me for a moment and see
22 if I understand the way in which you have done that.
23 You have taken the Dosco tonnage for the period of
24 the Hamilton summer or competitive rate and multiplied
25 that by 455.

26 MR. MATHESON: That is right.

27 Q. You have then taken the Dosco tonnage
28 for the period of the Hamilton winter rate or commodity
29 rate.

30 MR. MATHESON: That is right.



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2 Q. And you have multiplied that by 798?

3 MR. MATHESON: We have taken the 798, which
4 is the winter rate, and multiplied it by the tonnage
5 from Sydney.

6 Q. Then you have added up the number of
7 your tons, you have added up the two dollar figures
8 you have got as a result of the multiplication in
9 each case.

10 MR. MATHESON: Yes.

11 Q. And you have divided the total tons
12 into the total revenue, and that produces in this
13 case your weighted rate, namely, 589.

14 MR. MATHESON: Correct. I might add that
15 for the purposes of checking, the weighted factor
16 we used would be 39 per cent, or unit of 39, if you
17 wish, at the 798 rate and unit of 61 at the 455 rate.

18 Q. I am not asking you for the specific
19 number of tons which ---

20 MR. MATHESON: I am sorry, that is the
21 calendar basis, the figures I gave you. But I am
22 afraid I can't give you the other because it is
23 revealing our tonnage.

24 Q. I have deliberately not attempted to
25 use any tonnage figures because, as I understand it,
26 those figures you regard as confidential.

27 MR. MATHESON: Yes.

28 Q. But I have given you the method which
29 is the method which you follow.

30 MR. MATHESON: That is correct, Mr. Cooper.



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2 Q. And after having arrived at your
3 weighted rate you say this then would be the cost of
4 freighting the billets, blooms and wire rods from
5 Sydney, N.S., to Montreal, Quebec, and that is the
6 rate Dosco should have if it is not to be handicapped.
7 The weighted increase from Hamilton to Montreal, in
8 this case, amounts to 289 per ton. That, of course,
9 is the difference between your base rate of 300, it
10 is the difference between your weighted rate of 589
11 and your 300 commodity rate?

12 MR. MATHESON: That is correct, that is where
13 we get the 289.

14 Q. That, of course, puts Dosco in a more
15 favourable position with respect to Hamilton than it
16 was in on June 30th, 1927.

17 MR. MATHESON: That is correct. But we wanted
18 to go back before June 30th, 1927, as far as we were
19 able to trace. We went back before the Eastern Rate
20 Case in 1927, and naturally you would find that instead
21 of having ~~the~~ differential that did exist as at June,
22 1927, we had a materially lower factor. Now, the
23 question arises: was it much lower prior to that
24 time, in 1912, or before 1912. That I couldn't say.
25 But we feel that, in order for us to be not handicapped
26 on the fringe of the Quebec-Ontario market, we should
27 at least have equilibrium or parity with Hamilton on
28 a year-round basis.

29 Q. To come to your next table, competitive
30 or agreed charge, June 30th, 1927, 510, July 31st, 1959,



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2 1179, increase 669. Now, those are the rate figures
3 from Sydney, N.S. to Montreal, Que., as at the dates
4 indicated, except that 1179 is the total rate and
5 not the billed rate.

6 MR. MATHESON: That is correct. Just for
7 the purposes of the record, the rate as of July 1st,
8 1927 was \$4.30, and the actual rate or the billed rate
9 is \$8.96 on our agreed charge, giving an increase of
10 \$4.66. Do you wish me to repeat those figures?

11 Q. Yes, please do.

12 MR. MATHESON: On July 1st the rate went down
13 to \$4.30. As of December 14th, 1959, when the agreed
14 charge became effective, it turned out to be \$8.96
15 per gross ton. So comparing the billed vis-a-vis
16 the normal for the purpose of reimbursement, you have
17 then \$8.96 compared with \$11.79. So the actual
18 increase, while the date July 31st, 1959, is shown
19 there -- the agreed charge did not become effective
20 until December 14th -- the actual increase for
21 comparative purposes would be \$4.66 per gross ton.

22 THE CHAIRMAN: You contend, as I understand
23 it, that by consideration you are guaranteed not only
24 a rail rate by a rate.

25 MR. MATHESON: That is correct. While, as I
26 understand it, rates were not set out, it is a matter
27 of policy, and it is our contention and feeling that
28 we should, at least in the case of steel, get to that
29 fringe market, which is Montreal.

30 MR. COOPER Q: And perhaps to repeat this



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2 point, you have an agreed charge today of \$8.96 per
3 gross ton; that is what you pay, but the railways
4 get \$11.79.

5 MR. MATHESON: Approximately \$11.79. For
6 the purpose of the record there, allowing for the
7 preferred area of the proportion of the through rate,
8 we have a factor of 76 per cent, so where the \$8.96 would
9 be equivalent to 76 per cent of the through rate, then
10 therefore the 100 per cent would be equal to \$11.79
11 and the railways would obtain the difference.

12 COMMISSIONER ANSCOMB: You certainly intrigue
13 me now, Mr. Matheson. Where does this policy that you
14 talk about out of the air come from? You have a
15 got a rail rate, and, as far as I understand, all
16 you have got.

17 MR. MATHESON: Some things, as I understand it,
18 Mr. Anscomb, can be written into a constitution and
19 other things cannot because of the changing conditions
20 and circumstances. The question of rates, and rates
21 being a changing factor, could not be written in as
22 a guarantee, and there were pronouncements at the
23 time of Confederation -- and actually the rates
24 established in the Maritime area as set out in the
25 brief of the Maritimes Transportation Commission, which
26 shows that the policy had been carried out, but it was
27 not thought to be a matter of a constitutional
28 statement or guarantee.

29 COMMISSIONER ANSCOMB: The Crow's Nest
30 got into a constitutional state.



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2 MR. MATHESON: Well, we in the Maritimes
3 keep out of this Crow's Nest problem.

4 COMMISSIONER ANSCOMB: You have nothing
5 like the crow problem in your pocket. There is nothing
6 in writing.

7 MR. COOPER Q: We end up in this position,
8 that Dosco is putting forward a rate of 589, and,
9 as I understand it, the railways, however, under your
10 proposal would still get 1179, the subsidy therefore
11 would be 283 as at present, plus the advantage
12 Dosco was going to get of 307, and therefore there
13 would be an additional amount of subsidy of 307; is
14 that right?

15 MR. MATHESON: That is right.

16 Q. Now, you told me a few moments ago
17 that your alternative proposal to the uniform
18 application of horizontal rate increases would be
19 a selective method. I take it that this is an
20 example of a selective method to get at the rate.

21 MR. MATHESON: The selective method, and
22 this proposal of ours is somewhat identical, Mr.
23 Cooper. It is taking commodities and treating
24 commodities on a selective basis.

25 THE CHAIRMAN: You mean a hold-down?

26 MR. MATHESON: That is right, Mr. Chairman.
27 In other words, you are treating the commodity on
28 a selective basis. That is what we are saying also
29 in our approach to this question of the Maritime
30 Freight Rates Act. We are looking at it from the



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2 point of view a selective approach basis, and that
3 is similar to the selective approach the Board of
4 Transport Commissioners would take in the maintenance
5 of relationships so that it wouldn't disrupt
6 relationships so that this wouldn't have an erosion
7 effect.

8 MR. COOPER Q: To calculate a rate
9 by this selective approach, if you are going to be
10 able to do it without very extended calculations,
11 you require one key point, which in this case
12 is Montreal.

13 MR. MATHESON: Yes.

14 Q. One point of origin in central Canada,
15 which in this case is Hamilton, and one point of
16 origin in the Maritimes, which in this case is
17 Sydney.

18 MR. MATHESON: Yes, that is correct.

19 Q. If you had more than one key point,
20 several places of origin for your competing product
21 in Canada, and in the Maritime provinces, how would
22 you ever apply a method like this?

23 MR. MATHESON: It shouldn't be too difficult.
24 It is a question of watching your groupings and
25 the relationships. For example, Sault Ste. Marie
26 would be interested, no doubt, to some extent in the
27 Montreal market. Incidentally, Montreal has not been
28 a market, say, for billets and blooms because the
29 Montreal market is mostly captive; that is to say,
30 our finishing plant here and also Stelco has a



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2 finishing plant here. So there is no market for
3 billets and blooms. There may be some market for
4 the Soo in connection with bars, structurals and
5 shapes. But, anyway, the Soo may look upon this
6 arrangement. If you would bear with me for a
7 moment, as of June 30th, 1927, the rate from the
8 Soo, commodity rate, was \$5.60. On July 31st,
9 1959, the competitive rate is \$8.72. In other words --

10 THE CHAIRMAN: From Sydney?

11 MR. MATHESON: No, from the Soo, Sault Ste.
12 Marie to Montreal. So in that particular case there
13 was an increase of \$3.12. The winter rate from the
14 Soo is \$14.43 as of July 31st, 1959, so there was an
15 increase of \$8.83 or, applying the same method, we
16 would come up with a weighted rate of \$10.95.

17 Now, let's assume for a moment the Soo says
18 they want to come into a similar arrangement. In
19 that case we have no objection to the Soo coming in
20 to a similar plan on a relative basis and working out
21 something that would sort of give them a relationship
22 vis-a-vis our proposition from Sydney. But the Soo
23 not only has a market very much closer than ours --
24 they have the Toronto market, they are closer to the
25 Toronto market than we are -- but in addition to
26 that they are closer to the western market than we are.
27 But we are located around at the extremity of Canada
28 and can only go in one direction, excepting when
29 through exceptional conditions and circumstances we
30 are able to get the export market.



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2 Q. If your rates Hamilton to Montreal
3 changed in any way, you would then have to recalculate
4 the weighted rate?

5 MR. MATHESON: That is true.

6 Q. To enable the Board of Transport Com-
7 missioners to recalculate, or any other authority to
8 recalculate, the weighted rate, of course, your tonnage
9 figures would have to be obtained -- Dosco's tonnage
10 figures?

11 MR. MATHESON: As I say, there is only
12 such a small variation between our tonnage figures and
13 the calendar figures that perhaps the calendar basis
14 ratio would be sufficient.

15 THE CHAIRMAN: What is the steel production,
16 percentagewise, of Hamilton, the Soo and Sydney?

17 MR. MATHESON: In paragraph 69 -- no, I
18 haven't got the Soo there. 5.8 million tons, that is,
19 in terms of ingot capacity was produced by Hamilton
20 and all the steel producers in Canada. The annual
21 capacity, Sydney, 930,000 net tons; Stelco, 3 million
22 net tons; Defasco, 1 million net tons; Algoma, 1.2
23 million net tons -- that is, in terms of ingot capacity.

24 MR. COOPER: Q. Would you turn to page 35
25 and let us take that example Sydney, Nova Scotia, to
26 Toronto: you are dealing with the fixing of rates
27 past Montreal, and just correct me if I am wrong in
28 what I am now going to say. You took your Montreal
29 base of 589 -- and we have just gone through the
30 method by which you arrived at that -- then you take



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2 difference 384 and you get a rate of 973. Am I
3 correct in understanding that the 384 is the spread
4 today in normal rates, or perhaps you can put it
5 clearer than I.

6 MR. MATHESON: The normal rate to Montreal as
7 of July the 31st, 1959, without the roll-back, was
8 1002. The corresponding rate to Toronto was 1386;
9 the difference is 384, and that is what we added to
10 the base of 589.

11 Q. Now, then the rate from Sydney to
12 Toronto would not be on a basis of parity, would it,
13 with the rate from Hamilton to Toronto?

14 MR. MATHESON: Oh, no. The Hamilton-
15 Toronto rate just offhand -- I have the truck rate in
16 the brief; and, incidentally, most of the steel from
17 Hamilton to Toronto moves by truck, and that is in the
18 vicinity of 11 or 12 cents per 100 pounds.

19 Q. Do you consider that is any departure
20 from the principle you are putting forward here, that
21 you should have parity with Hamilton? You have got
22 that parity by your method here in so far as Montreal
23 is concerned, but to carry through your idea con-
24 sistently should you not also be on parity with the
25 Toronto market, or do you just take the key points
26 and you are not concerned with anything else?

27 MR. MATHESON: We take the key points.
28 We want to approach this reasonably. You can carry
29 this question of parity to the extreme. In other
30 words, it would be ridiculous and unrealistic to



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2 ask for an equivalent of a rate all the way from
3 Sydney to Toronto of \$2.688 per gross ton. We are
4 not asking for that. We are asking to let us get at
5 the fringe of the market and we feel that there are
6 competitive influences and factors and other conditions
7 in addition to the confederation aspect that make it
8 valid for us to make such a request and approach.

9 Q. One thing that concerns me somewhat,
10 Mr. Matheson, in connection with this main part of
11 your submission is this: are you, in effect, asking
12 this Royal Commission to fix a rate for you? This
13 Commission is concerned with looking into the problems
14 of transportation generally -- inequities in the freight
15 rate structure. Is what you are asking for now some-
16 thing different -- namely, "Please fix a rate for us"?

17 MR. MATHESON: No, we are not asking the
18 Commission to fix the rates. We are putting this
19 forward as a possible remedy in relation to the
20 Maritime Freights Act and the present Transportation
21 Assistance. This is a form of remedy that, as applied
22 to Dosco, would answer our particular problem, trans-
23 portationwise, from the maritime area into the central
24 Canadian market.

25 Q. Have you made any calculation as to how
26 it might affect any other industries in the maritimes?

27 MR. MATHESON: As far as our own proposal
28 is concerned -- let us say there is a plant, Enamel
29 Heating in Amherst where they produce bars: they are
30 at the present time on a group basis relationship with



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2 Sydney in respect of bars going to Quebec. Inciden-
3 tally, we ship bars from Sydney to Quebec City, and
4 in this sort of setup there would be a maintenance or
5 relationship with the grouping basis that could
6 probably be the same as we have done west of Montreal,
7 and it could be done the same way at the other end;
8 that is to say, there would be a difference between
9 Sydney and Amherst in respect of the rate.

10 THE CHAIRMAN: You are talking of principle?

11 MR. MATHESON: That is correct.

12 MR. COOPER: Q. That is the main point I
13 wanted to establish: whether you are endorsing a
14 principle or just asking ---

15 MR. MATHESON: Oh, no; endorsing a principle.

16 Q. Page 35, you have worked out rates
17 in cents per ton of 2240 pounds with respect to bars.
18 Your calculations there are on the same basis as we
19 have already gone through to get your weighted rate,
20 and so on, so we need not pursue those figures? The
21 same method applies?

22 MR. MATHESON: On bars?

23 Q. Yes.

24 MR. MATHESON: Correct, but I should mention
25 that we are primarily interested in our approach to
26 this thing in respect of the raw materials -- billets,
27 blooms and wire rods, and not so much in respect of
28 bars, nails or other commodities. We have a finish-
29 ing plant in Montreal that produces bars and wire and
30 so on, from the raw materials we obtain from the Sydney



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2 area. We are more concerned with the raw materials.

3 Q. Your approach to this problem has been
4 somewhat different from the approach in the Maritimes
5 Transportation Commission submission. I believe you
6 said the two submissions were prepared independently?

7 MR. MATHESON: That is correct.

8 Q. Have you given some thought to their
9 proposals for revision of the Maritime Freight Rates
10 Act since you have seen their submission, and what are
11 your views on their proposals as compared with your
12 own?

13 MR. MATHESON: I think all I can say is
14 on that question that we think our own proposal will
15 fit in better to our own conditions and circumstances.

16 Q. When you say "our own conditions and
17 circumstances" that is Dosco?

18 MR. MATHESON: Dosco, that is right. As I
19 see the approach of the Maritimes Transportation
20 Commission, they had a look at various industries and
21 they came up with this particular proposal as a remedy.
22 Now, we are not criticizing it in any way, shape or
23 form, nor are we criticizing the proposal of Atlantic
24 Sugar. I think they are all proposals that have been
25 put in good faith.

26 THE CHAIRMAN: Which do you endorse?

27 MR. MATHESON: We endorse our own, sir.
28 This has intrigued me, and what I was really impressed
29 with was the dollar value, since you have mentioned
30 it, that the Maritimes Transportation Commission has



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2 come up with: at page 50 -- \$6,555,935 additional.
3 This year in the period ending March 31 the payments
4 under the Maritime Freight Rates Act have been around
5 \$14 million. Let us assume for a moment, Mr. Cooper,
6 that it would take \$10 million or \$15 million, or
7 double the figure: this ~~had~~ such a widespread
8 beneficial effect that I think perhaps what might be
9 done is to look at the extra dollar value involved
10 and from that work out a form of remedy. This has
11 only occurred to me since I have seen these figures.
12 The tremendous boost to the economy that would result
13 from that would justify itself for the sake of that
14 small expenditure. This is somewhat perhaps similar
15 to the bridge subsidy where they took the \$7 million
16 and worked out a method of applying it, and perhaps
17 something similar may be done in this particular case.
18 I don't know, nor have we worked out what it would
19 cost us in regard to iron and steel in the maritimes.

20 THE CHAIRMAN: Do you think that figure is
21 low?

22 MR. MATHESON: This figure of the ---

23 THE CHAIRMAN: Six million.

24 MR. MATHESON: The \$6 million -- it could
25 be. I haven't looked into it, Mr. Chairman, but it
26 could possibly be more or less; I don't know. At the
27 present time, over the last year, the payments under
28 the Maritime Freight Rates Act were \$14,261,201.20.

29 COMMISSIONER GOBEIL: That would not mean
30 100 per cent subvention would mean \$50 million?



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2 MR. MATHESON: No, no. I would not know
3 what the 100 per cent subvention on the Atlantic
4 Sugar proposal would be.

5 COMMISSIONER GOBEIL: That \$14 million is
6 30 per cent, isn't it?

7 MR. MATHESON: Yes, but the calculation -- I
8 am referring to the Maritimes Transportation Commission
9 calculation.

10 MR. SMITH: We gave the 1958 figures. Is the
11 1959 available?

12 MR. MATHESON: Oh, yes.

13 MR. COOPER: Q. The 1958 figure is \$13,170
14 and some odd?

15 MR. MATHESON: Well, the payments during the
16 fiscal year 1959-60 ~~is~~ ^{are} \$14,261,201.20.

17 Q. At page 41, paragraph 89, you refer to
18 this question as to whether freight rate systems should
19 also be extended to other modes of transport serving
20 the maritime area and thus maintain competitive re-
21 lationships. The proposition may be fraught with
22 difficulties and possible administrative problems, and
23 that time has not permitted a thorough investigation
24 of the question and, as a consequence, Dosco is
25 constrained from expressing its view thereon at this
26 time. Have you anything to add to that at all? Have
27 you been able to give it any further thought or con-
28 sideration?

29 MR. MATHESON: No, we haven't given it any
30 further thought. The only thing we are concerned about



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2 if you follow on, is oftentimes when you work out
3 some arrangements of that kind as recommended it
4 invites regulation and control, and at the present time
5 water transport between the maritimes and central
6 Canada is not controlled, nor is it controlled between
7 the maritime Atlantic waters and the Pacific coast
8 waters of British Columbia.

9 Q. You want it kept that way?

10 MR. MATHESON: Yes, because one of the main
11 reasons -- and we are facing it today -- we are facing
12 the import competition on unregulated and uncontrolled
13 flags of convenience -- foreign-flag ships coming in
14 with cargoes from all over the world. So, regulation
15 would result, on water transportation, in differen-
16 tials between the rates, the same way as you have on
17 the Great Lakes in connection with package freight, and
18 conceivably we could run into some difficulties.

19 CROSS-EXAMINATION BY MR. FRAWLEY:

20 Q. I have one question, Mr. Matheson.
21 Have you given any thought to the operations of Premier
22 Steel in Edmonton?

23 MR. MATHESON: I haven't given any thoughts
24 to the operation.

25 Q. I thought I would put this to you, that
26 Premier Steel was blacked out of Regina by Stelco on
27 rods and bars through the combination of an agreed
28 charge from Hamilton to Winnipeg and then the incentive
29 rates from Winnipeg to Regina. I thought I would
30 put that to you as being another instance, perhaps



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2 even more flagrant than your own, where the freight
3 rate structure works hardship. Have you any observa-
4 tions to make on that?

5 MR. MATHESON: No, I have no observations
6 to make on that.

7 Q. Things are tough all over.

8 MR. MATHESON: We happened to get into an
9 agreed charge -- not on bars, but in connection with
10 nails and wire into markets in western Canada, and we
11 are not taking any stand in connection with western
12 Canada. We are getting in now on an agreed charge,
13 actually predicated on a combination of rates over
14 Winnipeg and incentive rates beyond.

15 Q. It is accepted that an agreed charge can
16 be tied into any other kind of rate to make a through
17 rate?

18 MR. MATHESON: It is a change in the approach
19 to pricing by the railways.

20 Q. I thought you would regard that as being
21 somewhat remarkable, looking at Edmonton and Regina
22 on the map, and then looking at Stelco, which is in
23 Hamilton, I understand, going into Regina and Stelco
24 actually pushing Premier out of Regina through this
25 combination low rate; isn't that something ---

26 MR. MATHESON: I have just been instructed
27 that Premier's price out of the mill at Edmonton was
28 higher than in the case of Stelco's price at Hamilton.

29 Q. That Premier price -- the factory price
30 in Edmonton is higher than Stelco's price in Hamilton?



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2 MR. MATHESON: That is right, and I am
3 instructed that may have something to do with the
4 situation.

5 Q. Well, Premier told me it was the use of
6 an agreed charge out of Hamilton ---

7 MR. SINCLAIR: Certainly, they tell you
8 lots of things.

9 MR. FRAWLEY: I would be happy if you
10 would tell me more.

11 THE CHAIRMAN: On that note we will break
12 now.

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14 ---Short recess.
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2 THE CHAIRMAN: Order, please.

3 MR. SMITH: I think Mr. Cooper asked the
4 witness the employment figures. He can supply them
5 now.

6 MR. MATHESON: Mr. Chief Commissioner, the
7 employment by Dosco as of July 31, 1960 in the four
8 Atlantic provinces amounted to 16,545.

9 MR. FRAWLEY: I have no further questions.

10 THE CHAIRMAN: Mr. Brazier?

11 MR. BRAZIER: Thank you, Mr. Chairman.

12 ---CROSS-EXAMINATION BY MR. BRAZIER:

13 Q. Mr. Matheson, you are probably aware
14 of the fact that a primary steel mill is to start
15 operation in British Columbia in the near future?

16 MR. MATHESON: I have heard something to
17 that effect, Mr. Brazier.

18 Q. It is being operated by a company which
19 the Canadian Pacific Railway has a certain interest
20 in. Would you think, now, that principle which you
21 have enunciated could be applied to that steel mill
22 in order to allow it to reach various markets it
23 will wish to get into?

24 MR. MATHESON: My answer to that, Mr. Brazier,
25 is that we are approaching this relatively, and if
26 a mill located at Vancouver --

27 Q. It is not located at Vancouver.

28 MR. MATHESON: Well, wherever it is going to
29 be located on the west coast -- required --

30 Q. It is being located, just to keep the



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2 record straight, I think, at Kimberly in the interior.

3 MR. MATHESON: -- required to be on a
4 sort of a relative basis in order to obtain access
5 to these principal markets, then we go along with
6 that principle.

7 Q. You would have no objection to that
8 on principle?

9 MR. MATHESON: No.

10 Q. At page 21 of your brief, Mr. Matheson,
11 you state in the last sentence of paragraph 40:

12 "Moreover, it is a customary practice
13 for Dosco to ship steel by water to
14 Vancouver, B.C. via the Panama Canal".
15 That has been your custom over a number of
16 years?

17 MR. MATHESON: Pardon me? Would you mind
18 repeating that?

19 Q. I'm sorry. I was just reading the
20 last sentence of paragraph 40 in your brief, which
21 is on page 21, where you say:

22 "Moreover, it is a customary
23 practice for Dosco to ship steel by water
24 to Vancouver, B.C. via the Panama Canal."
25 Has that been the custom over a number of
26 years?

27 MR. MATHESON: It has been the custom over
28 a number of years, but we only ship steel that is
29 not presently being produced in British Columbia.

30 Q. What kind of steel do you ship?



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MR. MATHESON: Principally wire rods.

Q. Wire rods. And what is the rail rate on that to Vancouver?

MR. MATHESON: Just off hand, I will have to check on that and give it to you. I haven't got it.

MR. FRAWLEY: Let us have the tonnages, too, and the number of shipments.

MR. MATHESON: The tonnages. Our tonnages -- oh, no. We won't give you that.

MR. FRAWLEY: You wouldn't let us have the tonnages. Are they very large?

MR. MATHESON: Well, we ship some tonnages. We have shipped -- we have chartered ships at times.

MR. BRAZIER Q: But the ships are competitive for the railways?

MR. MATHESON: The water rate?

Q. Yes?

MR. MATHESON: Oh, we would not be shipping there unless it was.

Q. I take it is less than the railway?

MR. MATHESON: It is less than the railway. I will go that far.

MR. FRAWLEY: How many ships?

MR. BRAZIER: Maybe Mr. Frawley could ask his questions subsequently.

MR. MATHESON: It depends, Mr. Frawley. We might ship two or three times a year certain quantities, or we might ship a whole shipload. It is



1
2 no secret; we have shipped rail to Vancouver, and
3 a whole shipload of rails.

4 Q. You say you only ship the type of
5 steel not produced in British Columbia?

6 MR. MATHESON: Presently not produced.

7 Q. Actually there is nothing in the way
8 of steel produced in British Columbia?

9 MR. MATHESON: Oh, yes. We send the raw
10 material to a mill out there that produces it.

11 Q. But no primary production out there?

12 MR. MATHESON: Electric furnaces of the
13 Western Canada Steel, so I am instructed.

14 Q. And you will -- would you let us have
15 the rail rate on that?

16 MR. MATHESON: Certainly. We will give you
17 the rail rate.

18 Q. In any event, it is not just a dream
19 we have had in British Columbia that there is water
20 competition with the railways via the Panama Canal,
21 so far as steel products are concerned?

22 MR. MATHESON: Certainly. Not in our case.
23 I don't think we have shipped by rail for years from
24 Vancouver by Sydney. We have shipped, of course,
25 from Montreal by rail under an agreed charge.

26 Q. Now, Mr. Matheson, Part V of your brief.
27 You end up on page 27 with this sentence:

28 "The cost of such a policy should
29 not only be determined for what it is in the
30 interests of the country as a whole but



1
2 should also be allowed for in the rate
3 structure of the area in any new approach
4 to its transportation problems."

5 Now, do I take it from that that it is your
6 opinion that whatever this policy which you are
7 advocating might cost should be charged to the
8 national treasury in the national interest, and not
9 to the other shippers on the railways?

10 MR. MATHESON: That is correct.

11 Q. You do not want to place any additional
12 burden on other shippers?

13 MR. MATHESON: That is correct.

14 Q. Or, in fact, on the railways themselves?

15 MR. MATHESON: Or on the railways themselves.
16 We want to emphasize that we certainly feel that the
17 railways should not be penalized in any manner, shape
18 or form in respect of anything that we are advocating
19 in our brief.

20 Q. Turning, then, to page 28 of your
21 brief. In the first paragraph, No. 61, there, you
22 make reference to a transport economist. Would you
23 mind telling me the name of the transport economist
24 you are quoting there?

25 MR. MATHESON: That would be Dr. Williams
26 of Columbia University.

27 Q. Dr. Ernest Williams?

28 MR. MATHESON: That is correct. That is page
29 28, paragraph 61.

30 MR. FRAWLEY: Have you got the reference, Mr.



1 Matheson, where he said that and when?

2 MR. MATHESON: This was an address by Dr.
3 Williams back in 1959, November 1st, at the convention
4 of the Delta Nu Alpha Transportation Fraternity at
5 Pittsburgh, Pennsylvania.
6

7 MR. BRAZIER Q: I wonder if you have it
8 right there in front of you, the part you have
9 quoted?

10 MR. MATHESON: Yes, I have.

11 Q. It doesn't seem to read just correctly
12 to me. I wonder if there is a mistake in transcription
13 there?

14 MR. MATHESON: "The cost..." --- I am
15 reading it from the context -- "the cost of service
16 by the form making the rate..."

17 Q. Probably it should be forum?

18 MR. MATHESON: No, form.

19 "...sets the lower level of the rate, while
20 the cost of performing the service by another method
21 sets the upper limit."

22 Q. I see. Thank you.

23 Is it your opinion, Mr. Matheson, that it
24 is the effect of horizontal increase that has been
25 the main cause of Dosco's difficulties?

26 MR. MATHESON: It constitutes a very important
27 cause of our difficulties, Mr. Brazier.

28 Q. And it is in the application of the
29 horizontal increase where it is applied that there
30 still remains an element of value of service in the



1
2 rate structure of Canada; is that correct?

3 MR. MATHESON: Oh, definitely. I wouldn't
4 say that was a bad thing, altogether.

5 Q. That it has been the cause of a
6 substantial part ---

7 MR. MATHESON: No, no. I am speaking of the
8 value of service principle; in some degree -- I
9 am not making a generalization on that. But you have
10 a value of service principle in regards to the
11 competitive factor in regards to rates. If I am
12 going to ship, and I can see that I can ship via
13 another carrier, well, that could set the limits
14 as far as the railways are concerned in what I am going
15 to pay. So, that is value of service in another way
16 of stating it.

17 Q. In that situation, you would agree it
18 was the competition that forms the regulatory control
19 of the rates; is it not?

20 MR. MATHESON: Oh, yes.

21 As a matter of fact, even under ordinary
22 circumstances shipping into a market, it is the end
23 factor in that market that determines whether I am
24 going to ship that market to meet the competition.
25 The other fellow might be closer than I am in that
26 particular market, but that factor still is there,
27 and if the railway rate is too high, even without
28 the competitive -- not speaking of transportation
29 competition at all, I am speaking of the market
30 factor --



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Q. The market factor?

MR. MATHESON: That is correct, Mr. Brazier.

Q. But for traffic that is completely captive to the railways and is not in any form -- has no form of competitive means of transportation -- that is, I suggest to you, where the value of service is principally applied in the rate structure today?

MR. MATHESON: I will agree with that.

MR. BRAZIER: Thank you.

THE CHAIRMAN: Mr. Mauro?

---CROSS-EXAMINATION BY MR. MAURO:

Q. Perhaps we will just continue on with the thought that my learned friend, Mr. Brazier, was developing: this matter of alternatives to horizontal increases, Mr. Matheson.

The suggestion of Dosco is a selective increase method, as opposed to the present horizontal percentage increases?

MR. MATHESON: That is correct.

Q. I was wondering whether you gave any thought at all to the practice that has been frequently utilized in the United States before the I.C.C., wherein the carriers come forward when requesting an increase and set out how they expect to recover this revenue on a commodity basis?

MR. MATHESON: Yes. We are thoroughly acquainted with that method.

Q. Would you recommend such a method for our Board of Transport Commissioners?



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2 MR. MATHESON: We have always advocated that
3 method, Mr. Mauro, going back to the ex parte 162
4 case, and up to the ex parte 212 case.

5 Q. So that the Canadian roads would come
6 forward and state they needed X number of dollars
7 to reach their requirement level, and that they
8 expected to obtain it by an increase of X per cent
9 on lumber, or cents per 100 lbs. on a particular
10 commodity, and this is expected to return them so
11 much?

12 MR. MATHESON: Yes, that is right.

13 Q. I assume, Mr. Matheson, that we will
14 agree that any alternative to horizontal percentage
15 increases has to, first of all, safeguard the revenues
16 of the railway; that they, as you have very aptly
17 put it, should not be penalized in any new system?

18 MR. MATHESON: Yes.

19 Q. And, secondly, we are going to have to
20 find some way of shifting the burden from the long
21 haul traffic? Do you agree that is pretty well the
22 captive traffic today?

23 MR. MATHESON: I will agree that that is
24 pretty well the captive traffic today.

25 Q. Do you feel it will be necessary
26 under any such proposal to better reflect increases
27 in terminal cost as opposed to line haul costs?

28 MR. MATHESON: I have not given that aspect
29 any consideration, Mr. Mauro, so I would not want to
30 speak to it at the present time, without giving it



1
2 some thought.

3 Q. As an accepted expert in this field,
4 Mr. Matheson, do you feel that since the war
5 horizontal percentage increases have properly
6 reflected the increased terminal costs as well
7 as increased line haul costs?

8 MR. MATHESON: That is possible, but I
9 could not say definitely without having analysed
10 the problem.

11 Q. Would you agree that, keeping in mind
12 that we do not want to compare the revenues of the
13 carriers, that whatever scheme this Commission, if
14 the Commission does conclude that there should be
15 a variation of the present method, any scheme
16 that it approves of will have to shift some of this
17 financial burden on to the short haul traffic?

18 MR. MATHESON: You are posing quite a question
19 there, Mr. Mauro. I have mentioned in this brief
20 that we were against equalization because it
21 is a form of stereotyping of rates, and your question
22 is you have to avoid creating a paper rate. For
23 example, myself as an individual -- and we
24 have done it -- we might go and take three or four
25 of our own trucks out of service at Montreal, in the
26 Montreal local service, and load them up with
27 freight for Timbuctoo, as the case may be.
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2 Now, that is what you are up against in any
3 artificial raising of rates, which would attract -- let
4 us say the trucking company went along with it, for-hire
5 carriers, under a form of regulation and there was
6 discrimination between, or whatever you want to call
7 it, that could force me as an individual -- I have to
8 get my stuff moved to remain in business, so therefore
9 I have to use my own trucks, and that is what you are
10 up against in relation to the short haul.

11 Q. I think we certainly agree it won't
12 be any gain at all if we placed the railways in the -
13 position where, under a rail structure, they simply
14 lost the traffic?

15 MR. MATHESON: That is right.

16 Q. But my question was: it seems apparent
17 to us that if there is to be any redistribution of
18 burden, that shifting has to come off the long-haul
19 traffic and be taken up to a degree by the short-haul
20 traffic.

21 MR. MATHESON: Yes. There can be ways and
22 means of doing it without necessarily increasing the
23 short-haul rate. The railways might be able, through
24 incentive arrangements and through different methods,
25 to maximize their traffic by multiple car rates and
26 other methods along with agreed charges which they have
27 at their disposal. Dosco as a producer of a raw
28 material would be loath to see any change that would
29 say, well, ~~that raw materials, commodities~~ -- the fact
30 that rates were relatively lower than in the case of



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2 refrigerators, for example, was because the refrigera-
3 tors could bear a higher rate, then there was to be
4 a complete shifting. Does that mean that raw
5 materials are going to be increased? Because you
6 must remember that some of these materials can maximize
7 the weight of the car.

8 Q. A good example is coal.

9 MR. MATHESON: Yes. We have to look at
10 these things, and it is not a very easy thing to answer.

11 COMMISSIONER MANN: You mentioned multiple
12 car rates as being a method of the railways maximizing
13 their revenues. Would you be in favour of any change
14 in that respect?

15 MR. MATHESON: Yes, we would be only too
16 glad to have trainload rates.

17 MR. MAURO: Q. I wonder if you would be
18 agreeable to have agreed charges applicable to the
19 same commodity. There was some talk in the United
20 States where the president of the Northwest Chicago
21 Railway gave a talk and said that he didn't agree
22 with the system in Canada where the railways picked out
23 such and such a shipper and gave them an agreed charge
24 from Sydney to Montreal, that there should be an
25 agreed charge on the particular commodity.

26 MR. MATHESON: In effect today that is by
27 notice of intent, it is applying for a notice of intent.
28 If I am shipping from Montreal to Vancouver and Stelco
29 entered into an agreement, well, I enter that by a
30 notice of intent.



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2 Q. What if they publish a rate, a mileage
3 rate, reflecting the movement of steel?

4 MR. MATHESON: I don't follow you there, Mr.
5 Mauro. You say so much per ton mile?

6 Q. So much per 100 pounds.

7 MR. MATHESON: An average rate for all over
8 Canada?

9 Q. Yes.

10 MR. MATHESON: A posted rate?

11 Q. A rate covering that particular product.

12 MR. MATHESON: I can't see the possibility
13 of that.

14 Q. You have \$8.96 per long ton. The normal
15 basis for the purpose of reimbursement is \$11 and some
16 odd cents. If that was reduced to a rate on 100
17 pounds per gross ton ---

18 MR. MATHESON: Reduced to what?

19 Q. Obviously they are charged \$11 per
20 gross ton, Sydney to Montreal. It comes out to a rate
21 on gross tons per mile. What if they published that
22 all over Canada on the same commodity?

23 MR. MATHESON: I haven't gone into that.

24 COMMISSIONER GOBEIL: May I ask you, Mr.
25 Mauro, what difference it would make?

26 MR. MAURO: It would make the difference
27 that instead of just allowing a particular shipper in
28 a particular locality to ship from Sydney to Montreal,
29 it would give our friends of the Premier Iron an
30 opportunity to file a notice that they would like that



1
2 rate from Edmonton to Regina on the per ton mile basis?

3 COMMISSIONER MANN: A sort of equalization
4 of agreed charges?

5 MR. MAURO: In effect.

6 Q. I have no opinion on it at all, Mr.
7 Matheson. I just read this in the speech, and it
8 seemed an interesting variation to the present method.

9 I think the essence of your submission is
10 that some type of apology should be recommended by
11 this Commission that would permit Dosco and the
12 industries in the maritime region to develop and
13 expand?

14 MR. MATHESON: Yes.

15 Q. And this isn't a private brief limited
16 to Dosco; that happens to be your position, and you
17 think the principle is sound?

18 MR. MATHESON: Yes.

19 Q. And you feel that that should be applied
20 to the development and expansion of industry in various
21 parts of Canada?

22 MR. MATHESON: If the conditions and cir-
23 cumstances are somewhat similar and if there is the
24 same relative background, after due consideration,
25 perhaps the same type of remedy or an overall remedy
26 might be necessary to those regions which require to
27 be upgraded, if I can use the term.

28 Q. We can take Manitoba, northwestern
29 Ontario and the development of their mining?

30 MR. MATHESON: I think it would be nice to



1
2 see an overall master plan that could be followed to
3 assist the whole of the country.

4 THE CHAIRMAN: You are outlining the
5 historical picture?

6 MR. MATHESON: Yes, that is correct, if the
7 conditions and circumstances are identical, and in our
8 particular case we have a special plea.

9 MR. MAURO: Q. You are not saying that anyone
10 should have any special treatment, that there are any
11 second-class citizens. You are proposing a far-
12 reaching proposal here.

13 THE CHAIRMAN: Well, he is alleging they
14 are first-class citizens down there by the sea.

15 MR. MATHESON: I agree, sir.

16 MR. MAURO: Q. When was Dosco constructed
17 in Sydney, when was the branch built?

18 MR. MATHESON: 1899 it was started.

19 Q. In Appendix V you have those rates.
20 It was built in 1899.

21 MR. SMITH: Construction was started in
22 1899.

23 MR. MAURO: Q. The rates on billets, the
24 differential between Hamilton and Montreal and Sydney
25 and Montreal was \$2.10?

26 MR. MATHESON: No, I haven't got that. That
27 goes back into history.

28 Q. Assuming that there wasn't too much
29 variation ---

30 MR. MATHESON: Oh, yes, there was a lot of



1
2 variation. You have the horizontal increases and
3 the commercialization of the Intercolonial Railway
4 from 1912 to 1925 or 1926. We have been able to go
5 back to 1916, and there was a differential between
6 Hamilton and Montreal and Sydney and Montreal at that
7 time, in 1916, before the eastern rate case. But
8 conceivably, because of the water competition -- and,
9 incidentally, Desco back in that time had their own
10 regular steamship services plying between the east
11 coast and Montreal, the Dominion Iron and Steel
12 Company; we had our own Black Diamond Line operating
13 with passenger and freight, and so on, and con-
14 ceivably the rates at that time were not too far apart
15 or the same; I couldn't tell you. They were held
16 down by water competition, along with the fact of the
17 rates being kept as low as possible.

18 Q. In Appendix V you list as of June 30,
19 1927, the differential of \$2.10 in billets?

20 MR. MATHESON: That is correct.

21 Q. On December 31st, 1959, the summer rate,
22 there was a differential of \$4.41?

23 MR. MATHESON: That is correct.

24 Q. That is during what period?

25 MR. MATHESON: The winter months, roughly
26 speaking, from December 1st to April 14th inclusive.

27 Q. That is for four months?

28 MR. MATHESON: Yes.

29 Q. And for eight months of the year your
30 differential vis-a-vis 1927 was lower?



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2 MR. MATHESON: No, this was the difference,
3 the 441 was the difference, not the increase.

4 Q. I thought you said during the winter
5 months?

6 MR. MATHESON: In the winter months the
7 differential is \$1.46, and in the summer months it is
8 \$4.41. The reason why it became \$1.46 is because we
9 have cut down the rate to a lower level.

10 Q. The differential would be \$1.46. You
11 have an advantage there?

12 MR. MATHESON: Yes, which reflects the water
13 competition.

14 MR. MAURO: Thank you very, very much, Mr.
15 Matheson.

16 THE CHAIRMAN: Mr. Carter?

17 MR. CARTER: I have no questions.

18 THE CHAIRMAN: Mr. Hume?

19
20 CROSS-EXAMINATION BY MR. HUME:

21 Q. Mr. Matheson, I have two points, very
22 brief points I want to discuss with you. The first is
23 to point out that on page 5, paragraph 9, you have
24 finishing plants within central Canada. How many plants
25 do you have?

26 MR. MATHESON: We have in the Montreal area
27 the Montreal Works, Canadian Bridge plant, two plants
28 at Montreal. We have a plant in Etobicoke, Canadian
29 Steel, or what we call the Etobicoke Works, and in
30 Walkerville we have the Canadian Bridge operation there.



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2 Q. From those central Canadian plants you
3 use rail and trucks?

4 MR. MATHESON: Yes, rail, truck and water.

5 Q. And I believe you use trucks very ex-
6 tensively in central Canada in moving your finished
7 products to building sites, and so on?

8 MR. MATHESON: Yes. There are cases where
9 a customer requests a particular routing, and if we are
10 shipping, for example, reinforced bars to a construc-
11 tion job, that goes by truck right to the particular
12 job.

13 Q. If that is a service advantage, is the
14 truck rate higher or lower than the rail rate in those
15 circumstances?

16 MR. MATHESON: The truck rates sometimes are
17 lower, sometimes they are higher, depending on the
18 conditions and circumstances obtaining. Generally
19 speaking, there is a variation in these rates. The
20 water rate, say, from Montreal to Toronto, is
21 differentially lower than the rail rate to Hamilton,
22 and so on.

23 Q. Do I properly understand from your brief
24 that because of the agreed charge there is no truck
25 competition on billets and blooms and rods from Sydney
26 into the Montreal market?

27 MR. MATHESON: Not because of agreed charge,
28 but because the truck operator couldn't possibly meet
29 rail rate.

30 Q. If the truck charged the same rate on the



1
2 Hamilton run it would be around \$100 per long ton?

3 MR. MATHESON: Yes.

4 Q. But if a truck operator had lots of money
5 to lose, it is my understanding that if he wanted to
6 be exactly competitive with the rail he would quote you
7 a rate of \$8.98. That is purely hypothetical.

8 MR. MATHESON: Yes; but at that rate we could
9 only give him under the present ---

10 Q. He would charge and get that and the
11 railways would get that plus another \$2.83 from the
12 federal trasury?

13 MR. MATHESON: That is right.

14 Q. Finally, if you turn to page 41, you
15 refer in paragraph 89 to something about which Mr.
16 Cooper has already questioned you, the question with
17 respect to the proposal or request by the Canadian
18 Trucking Associations and others that the Maritime
19 Freight Rates Act deal with all carriers equally.
20 Do I understand from what you said to Mr. Cooper that
21 your views on this matter are somewhat covered by
22 the fact that you are afraid that if the subsidy is
23 extended the water carriers may come under regulation,
24 and that is something you don't want?

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2 MR. MATHESON: Not necessarily on that point
3 altogether. We are concerned over the water. We want
4 that protected. We would not want to see the
5 regulation implemented in connection with water carriage.
6 One of the reasons I state this is, when the Transport
7 Act was before the Senate Committee and the House of
8 Commons Committee in 1937 we strongly proposed at the
9 time and had an amendment implemented into the Transport
10 Act, and we still have that particular section -- when
11 I say "we" the Maritimes did -- but I feel we should be
12 excluded from the regulation of water transport.

13 Q. Is this because you fear if there is
14 regulation of the water carriers that the rates would
15 go up -- you would pay more money?

16 MR. MATHESON: Put it this way: conceivably
17 that could be, because after all on the Great Lakes
18 there is a differential between the rail rates and the
19 water rates. In addition to that, what we are mostly
20 concerned about is the import competition that we are
21 even facing today by ships coming up with steel from
22 Japan and also from the continent and competing in our
23 own markets, and the water rates are very low.

24 Q. Regulation of water carriers would not
25 interfere with that import competition unless the rates
26 went up?

27 MR. MATHESON: Well, that is what we are afraid
28 of.

29 Q. That is what you are afraid of?

30 MR. MATHESON: Oh, definitely.



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2 Q. Can I put it fairly that part of the
3 views -- and you indicate you are not expressing any
4 opinions but you do, in fact, express a couple on
5 administration problems, and so on, -- that these
6 views are somewhat conditioned by the fact that you
7 don't want the water carrier regulated because of
8 the fear of increased rates?

9 MR. MATHESON: Please put the trucks into
10 a compartment and water into a compartment and rails
11 into a compartment. We are not taking a stand
12 in regard to the proposal that the Maritime Freight
13 Rates Act or assistance be given to the trucking
14 industry, because we haven't gone into that aspect.
15 So, we are looking at the water as such in a separate
16 compartment. The trucks are in another compartment,
17 and we are not taking any stand whatsoever in this
18 particular proposition about extending the assistance
19 to the trucks in relation to any assistance that is
20 granted to the railways.

21 Q. I understand your point of view. My
22 point of view, very simply, is that what is fair for
23 one is fair for the other, and if you are going to
24 extend it to all types of carriers you ought to include
25 all types of carriers. Do I correctly interpret,
26 you don't want the water carriers receiving any
27 benefit from any extension of the Maritime Freight
28 Rates Act because you fear regulation of those
29 carriers as a result of that, and therefore you fear
30 higher rates?



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2 MR. MATHESON: Put it this way: we are
3 concerned about the regulation of water transport.
4 Conceivably it might be excluded in this sense:
5 bulk carriers could be excluded in the same way that
6 bulk carriers are excluded west of the Isle of Orleans,
7 but we have to take this position in connection with
8 the water carriers. We don't want regulation in so
9 far as we are concerned, as Dosco, we don't want
10 water regulations at all. At the present time,
11 regardless of what other aspects or features or
12 benefits there may be to the truckers, we have to
13 take that stand.

14 Q. If it were possible to extend the
15 subventions without these regulations would you
16 then object to it?

17 MR. MATHESON: All I can say is, we haven't
18 gone into the thing, and we are constrained in making
19 an answer to that particular question.

20 ---CROSS-EXAMINATION BY MR. McDONALD:

21 Q. I have a few questions, Mr. Matheson.
22 On page 33 of your submission you compare the rates
23 in June, 1927 with July the 31st, 1959, but you did
24 not take into consideration inflation in the meantime?

25 MR. MATHESON: No, we haven't.

26 Q. A rate of \$3.00 in 1927, comparing
27 that with a rate of \$4.55 today, and then consider
28 how the dollar has been devalued in the meantime ---

29 MR. MATHESON: What concerns us is not this
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2 deflationary -- or, the inflation that has gone on
3 with money. It is the absolute difference we are
4 up against today and yesterday and the day before,
5 and this monetary relationship is not the thing at
6 all. The absolute difference -- that is where our
7 handicap comes in. That is what we have got to
8 meet.

9 Q. But to get the proper picture, should
10 you not take into consideration inflation?

11 MR. MATHESON: Not necessarily so. When I say
12 it is the absolute difference, that is the point on
13 which we rest.

14 Q. On the basis of your shipments for
15 1959, how much would it cost the treasury if your
16 suggestion were adopted?

17 MR. MATHESON: I haven't worked that out.

18 Q. I think that might be of interest to
19 the Commission. Could you work that out and give
20 it to the Commission?

21 MR. MATHESON: We will make an estimate and
22 give it to the Commission.

23 Q. Because you have got the figures on
24 your traffic, and so on. Then, I am interested in
25 this, in actual practice supposing your suggestion
26 and proposal were adopted, how would it work out?
27 Would the railways bill you with the full rate and
28 you collect the subvention from the treasury?

29 MR. MATHESON: No, no; our position is that
30 the billed rate would reflect the assistance, the



1
2 same way as the Maritime Freight Rates Act at the
3 present time.

4 Q. Wouldn't this cause the railways a
5 lot of work to figure out this complicated formula
6 for each shipment?

7 MR. MATHESON: Well, let us assume for the
8 moment that the rate is struck at 589 and the so-called
9 normal basis for the reimbursement is 1178 or 1179;
10 I don't see where, in so far as the C.P.R. is
11 concerned, it is going to make very much difference
12 from the present filing of the form which is required --
13 and I am referring to the C.P.R. specifically because
14 the C.N.R. does not make out the same forms as the
15 C.P.R. I don't think it is going to involve too much
16 difference once the formula and the base is set up.

17 Q. In the case of the C.N.R. it will mean
18 examining every waybill of every shipment coming
19 from the Maritimes to the central market, wouldn't
20 it?

21 MR. MATHESON: There is a lot of mechanics
22 involved in this thing, but personally I don't think
23 it will involve too much once you get the same format
24 set out as you have in connection with the Maritime
25 Freight Rates Act.

26 Q. The Maritime Freight Rates Act is in
27 a little different position: there is a percentage
28 reduction, whereas you have a complicated formula
29 here.

30 MR. MATHESON: But the rate that is going to



1
2 apply -- there would be a rate of 589 that would be
3 set out in the particular tariff.

4 Q. Why couldn't you work that out and
5 just bring it into the present Maritime Freight Rates
6 Act so that the subsidy there, instead of being 30
7 per cent, would be 50 or 60 per cent?

8 MR. MATHESON: There could be some mechanism
9 -- what we are trying to do is put forward a
10 proposition towards the end result in order to get
11 us into the market on a relatively competitive basis.
12 There may be problems in connection with the mechanics
13 of applying it that would have to be worked out.
14 That is something that we have to arrest.

15 Q. You can see we are interested in the
16 expense and difficulty of administering it.

17 MR. MATHESON: I hope there would be some
18 basis worked out where it would not be any more
19 expensive to the railways, now that they have got
20 I.B.M. machines, compared with what it was before
21 they developed accounting and machine methods such
22 as they have at the present time. I think that it
23 is much easier for figures to be struck at today
24 than several years ago.

25 Q. Yes, but still these machines are
26 not developed to the stage where they can pick out
27 these waybills and sort them out. Now, you said
28 in your evidence you would not be opposed to this
29 principle being extended to other industries, say,
30 to Sault Ste. Marie -- the steel mill there?



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2 MR. MATHESON: Relatively, on this selective
3 approach basis, no, but, as I said, we raised another
4 point there that we are only asking to get to the
5 fringe of the market, and they are closer than we
6 are where the greatest bulk of steel is consumed in
7 Canada.

8 Q. Don't you think that by trying to
9 overcome a geographical disadvantage by a subsidy
10 that that is a dangerous precedent, that every other
11 industry will be finding itself in the same position?

12 MR. MATHESON: There are special conditions
13 and circumstances that apply in this particular case
14 on which I am inclined to lean back on in answer to
15 your question.

16 Q. But you know in the past that by using
17 the freight rate structure to overcome geographical
18 disadvantages it shoots out some place else? You
19 are familiar with that?

20 MR. MATHESON: Well, what illustrations have
21 you got in mind?

22 Q. Well, you know without going into them
23 particularly, but you are both going into a common
24 market and if, to overcome your geographical
25 disadvantage, a subsidy is granted isn't that going
26 to affect the other people competing in that market?

27 MR. MATHESON: There is a discounting of
28 distance that we have in mind in connection with
29 this whole proposition, and this is just to more or
30 less bring us closer to the markets than we are at



1
2 the present time. It is as simple as that.

3 MR. GOBEIL: Further to what Mr. McDonald
4 was saying, if the same principle were applied to
5 Sault Ste. Marie, you would not be in any better
6 shape than you are now?

7 MR. MATHESON: The same principle is
8 applied to Sault Ste. Marie we would not...?

9 MR. GOBEIL: You would not be in any
10 better shape than you are now? You would still be
11 at a disadvantage?

12 MR. MATHESON: If the same principle were
13 applied to Sault Ste. Marie, it would not affect us
14 at all.

15 MR. McDONALD Q: In other words, Sault Ste.
16 Marie is not a serious competitor with you?

17 MR. MATHESON: No, I would not say that.
18 Sault Ste. Marie is a competitor of ours, and
19 particularly in connection with rails. We are
20 not competitive with Sault Ste. Marie beyond
21 Montreal.

22 Q. What has been the development of
23 Dosco since -- take your Sydney plant since 1927:
24 has it grown substantially?

25 MR. MATHESON: Yes, I have placed these
26 figures on the record and in the brief, but as
27 these figures point out, we have not grown relatively
28 at all. In 1926, as you notice in paragraph 69 ---

29 Q. Well, leaving out the relative part.
30 Just give the growth of the plant at Sydney.



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2 MR. MATHESON: Well, the plant at Sydney --
3 and I am speaking about Sydney mines which has been
4 closed up -- ^{capacity} the output ^{was} is 593,000 tons in 1926
5 vis-a-vis an ingot capacity of 930,000 short tons,
6 but this was only made possible, this growth, by
7 setting up finishing plants and buying up other
8 finishing plants in central Canada, and if they
9 hadn't done that, I don't know what would have
10 happened; it is only because they have made captive
11 outlets for the steel.

12 Q. But despite the horizontal percentage
13 increases going way back over the years, and
14 increased freight rates, you have had a very
15 substantial growth in that time?

16 MR. MATHESON: I would not say a very
17 substantial growth at all. From 593,000 to 930,000
18 capacity output, that is not substantial.

19 MR. McDONALD: Thank you very much. I
20 wish to congratulate you on the information you
21 have prepared for the Commission, and also I admire
22 the courage with which you have put forth your
23 submission.

24 ---CROSS-EXAMINATION BY MR. SINCLAIR---

25 Q. Mr. Matheson, basically the rates
26 to and from the Maritimes have reflected water
27 competition from their earliest days?

28 MR. MATHESON: Oh, definitely.

29 Q. Both actual and potential?

30 MR. MATHESON: Yes.



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2 Q. And the fact they do reflect water
3 competition and also that mileages are figured by
4 the short mileage, there isn't any circuitry via
5 Intercolonial reflected in the rate structure of
6 the Maritimes today.

7 MR. MATHESON: No, I won't go along with
8 that -- just the short mileage. The short mileage
9 is from Saint John to Montreal, 482 miles on the
10 C.P.R. I go beyond that. The Intercolonial
11 Railway antedated the C.P.R. into Saint John and
12 the reflection of the water competition and the
13 reflection of the old Grand Truck Railway going
14 down into Portland, and the movement by water from
15 Portland and up by rail on the short line, which
16 was then the short line, all these factors had a
17 bearing on the rate structure, and it only involved
18 in the subsequent rate cases that the basic structure
19 was before the so called short line of 482 miles.

20 Q. When you calculate from Halifax,
21 it is done on the short line mileage via Digby and
22 Saint John, isn't it?

23 MR. MATHESON: No. You mean the rates?

24 Q. If you are going to take a mileage
25 factor, you do it on the short line mileage?

26 MR. MATHESON: That was never the basis
27 of the rate structure, in my understanding of the
28 rate structure, in the Maritimes. I may be wrong.

29 Q. Have you gone into it?

30 MR. MATHESON: Oh, yes. I may be wrong,



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2 but that is not my understanding.

3 Q. But in any event, the basis of the
4 rate there, being on such a low basis, is the real
5 reason why the trucks have not developed to the same
6 degree?

7 MR. MATHESON: Oh, definitely. For example,
8 the large groupings in the Maritime area -- for
9 example, the Halifax group extends from just beyond
10 Moncton -- Penzac Junction into Halifax, and it is
11 a matter of a few cents over the Saint John group,
12 and that is a distance of roughly speaking I would
13 say 180 miles beyond -- in rough figures.

14 Q. Yes, the Maritimes has been singularly
15 blessed with the low rate structure to and from
16 central Canada since early times, and singularly
17 blessed by having water competition.

18 MR. MATHESON: Basically, that is the history
19 of the rates we have had -- this low rate structure
20 from the Maritimes to central Canada.

21 Q. Sheet now moves from Algoma to
22 Montreal and has moved from Algoma to Montreal for a
23 good many years, and it is anticipated that sheet is
24 going to be manufactured in the Montreal area at
25 Contrecoeur by Dosco?

26 MR. MATHESON: Yes.

27 Q. Would you think it proper and right
28 that when you built that mill and force Algoma out of
29 its traditional market for sheet in Montreal that the
30



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2 rate from Contrecoeur to Montreal would be the key
3 rate and the Algoma rate from the Soo to Montreal
4 should give parity so that they can continue to
5 enjoy their traditional market?

6 MR. MATHESON: Did you say from the Soo to
7 Montreal or from Hamilton?

8 Q. No, from the Soo to Montreal?

9 MR. MATHESON: You see, Mr. Sinclair, in our
10 proposition we didn't take this 30 miles at all --
11 40 miles. We have asked to go to the fringe. We
12 are not saying we are going to make it a ridiculous
13 condition of the same rate from Contrecoeur to
14 Montreal vis-a-vis Hamilton to Montreal. We are
15 coming to the fringe of the market, and by your
16 question, then, we would be asking for the same rate
17 from Sydney to Toronto as applies from Hamilton to
18 Toronto, and we are not doing that at all.

19 Q. I am asking you whether in view of the
20 fact you are going to locate at the market and
21 adversely affect the Soo -- Algoma -- by your sheet
22 mill in that traditional market of Algoma, don't
23 you think, on your principle, they should be looked
24 at and say, here our traditional market is being
25 disturbed by Dosco so therefore we should be given
26 some assistance?

27 MR. MATHESON: It may apply both ways. The
28 rate from Contrecoeur to Montreal, say, is 50 cents
29 and our rate from Contrecoeur to the Toronto market
30 should be 50 cents vis-a-vis whatever Hamilton pays.



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2 If you want to make it look ridiculous, I would go
3 along with that.

4 Q. But this is market relationships that
5 you say should constantly be maintained. I am trying
6 to apply what you call market rate relationships and
7 keeping them in balance.

8 MR. MATHESON: But you see, we are not going
9 to an extreme situation.

10 Q. But if the principle is good, that
11 you are going to keep market rate relationships in
12 balance, then you should test the thing by going to
13 an actual situation.

14 MR. MATHESON: Our approach to selectivity
15 is along those lines. It is the question of
16 relationships. We are not asking for an extreme
17 situation that would be ridiculous. We don't want
18 to appear that way.

19 Q. You are not trying to obliterate
20 geography; you are just trying to cloud it; is that
21 right?

22 MR. MATHESON: Well, I would not, naturally,
23 answer that.

24 THE CHAIRMAN: I think we had better adjourn
25 until 10:00 o'clock tomorrow morning.

26 ---Adjournment.
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